

TOWN OF WELLESLEY, MASSACHUSETTS

COMPREHENSIVE ANNUAL FINANCIAL REPORT



For the fiscal year ended June 30, 2006



On the cover: The Isaac Sprague (1860-1934) Memorial Clock Tower, which was constructed to resemble the famous Venetian Campanile in Venice, Italy.

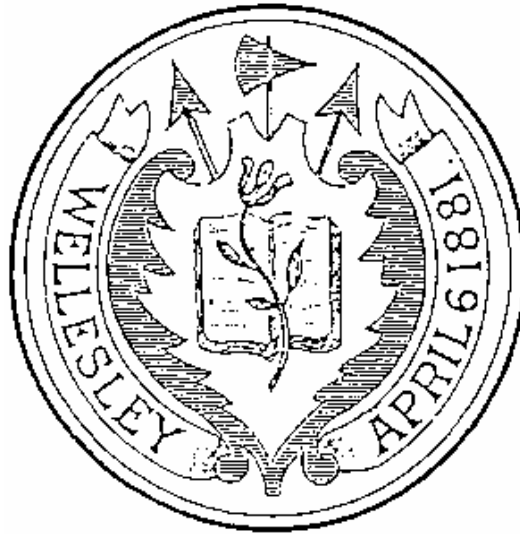


Pictured above is the newly constructed Wellesley Free Library.

TOWN OF WELLESLEY, MASSACHUSETTS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year ended June 30, 2006



Prepared by:

The Office of Financial Services

TOWN OF WELLESLEY, MASSACHUSETTS
COMPREHENSIVE ANNUAL FINANCIAL REPORT

JUNE 30, 2006

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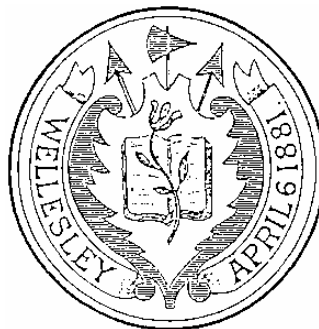
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Introductory Section



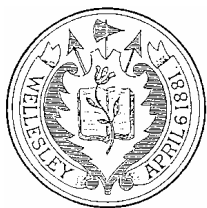
Wellesley Town Hall is one of the five properties in the Town listed on the National Register of Historic Places.



**Town of Wellesley, Massachusetts
Comprehensive Annual Financial Report
For the fiscal year ended June 30, 2006**

Introductory Section

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Town of Wellesley

525 Washington Street
Wellesley, MA 02482

Letter of Transmittal

December 12, 2006

To the Honorable Board of Selectmen and Citizens of the Town of Wellesley:

State law requires the Town of Wellesley to publish at the close of each fiscal year a complete set of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) that are audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the Comprehensive Annual Financial Report (CAFR) of the Town of Wellesley, Massachusetts, for the fiscal year ending June 30, 2006 for your review.

This report consists of management's representations concerning the finances of the Town. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the Town has established a comprehensive internal control framework that is designed both to protect the Town's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the Town's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the Town's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The Town's financial statements have been audited by Powers & Sullivan, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Town for the fiscal year ended June 30, 2006, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion on the Town's financial statements for the fiscal year ended June 30, 2006, and that they are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the Town was part of a broader, federally mandated "Single Audit" designed to meet the special needs of Federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of Federal awards. These reports are available in the Town's separately issued Single Audit Report.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to compliment MD&A and should be read in conjunction with it. The Town's MD&A can be found immediately following the report of the independent auditors.

Profile of the Town

The Town of Wellesley was incorporated in 1881 and is located in Norfolk County. It is approximately 15 miles west of Boston and is bordered by Natick on the west, Weston and Newton on the north, Needham on the east and southeast, and Dover on the south. It is approximately 10.51 square miles in area and, according to the Town Clerk's records, has a population of 26,978 persons.

The main highways serving the Town are State Routes 9, 16, 135, 128 and the Massachusetts Turnpike. The Massachusetts Bay Transportation Authority (MBTA) provides railroad services to Boston and Framingham.

The Town operates under the Representative Town Meeting form of government with public officers serving as ex-officio members of the town meeting. The legislative body consists of 240 members elected by precincts. Administrative affairs are managed by a five member Board of Selectmen, with the assistance of an executive director.

The administration of the general government is the responsibility of the five-member Board of Selectmen; local school affairs are administered by the five-member School Committee; public works are administered by a three-member Board of Public Works; the Municipal Light Plant is administered by the five-member Municipal Light Board that is comprised of the three-member Board of Public Works and two members appointed by the Board of Selectmen; and library affairs are administered by a six-member Board of Library Trustees.

Municipal Services

The Town provides general governmental services within its boundaries including public education in grades kindergarten through twelve, police and fire protection, collection and treatment of sewage, water distribution, electric services, public works, streets, parks and recreation, veteran's services, health and sanitation, and libraries. The water and sewer enterprise funds are self-supporting. The Town maintains a solid waste recycling and disposal facility.

The Town owns and operates a self-supporting municipal light plant. The Municipal Light Board carries out the responsibilities of the Municipal Electric Commissioners as dictated by Massachusetts General Laws, Chapter 164.

Factors Affecting Economic Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the Town operates.

The Town continues to reflect a strong economic condition. The per capita income is significantly higher than state averages, and the unemployment rate has always been extremely low. The Town remains a very desirable community given its close proximity to Boston and quality of services provided. The residential sales market has been very strong, reflecting the solid interest in the community.

Wellesley is home to urban professionals whose wealth levels are among the highest in the Commonwealth. Median family incomes of approximately \$135,000 and per capita of approximately \$53,000 are 212% and 204% of state values, respectively. Relative wealth is also seen in the owner occupied median housing value, which, at \$824,000 is more than twice that of the state and four times that of the nation. Although the Town is 86.5% residential, commercial activity is diversified and the presence of Wellesley College and Babson College contribute to a low unemployment rate and economic stability.

The Town continues to manage its financial affairs in a prudent manner. It has maintained its **“excellent”** bond rating of Aaa by incorporating long range planning tools such as a Capital Improvement Program; maintaining reserve balances despite tight budgets; investing in technology to ensure efficient operations; and maintaining an aggressive pay-as-you-go financing strategy for capital improvements.

The Town has also enhanced its revenue flexibility by establishing enterprise funds. This has allowed the Town to shift one hundred percent of the operating cost and capital improvements to the users of electric, water, and sewer services so that no tax support goes towards providing these services. All related debt is funded through user fees. By doing so the Town is able to provide the maximum tax dollars available to all other services.

Internal Controls

Management of the Town is responsible for establishing and maintaining an internal control structure designed to ensure the assets of the Town are protected from loss, theft or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The Executive Director is responsible for evaluating the adequacy and effectiveness of the internal control structure and implementing improvements.

Budgetary Controls

The Board of Selectmen are responsible for annually coordinating the preparation and maintenance of the Town’s Town-Wide Financial Plan. The Town-Wide Financial Plan is a sequenced combination of forecasts of the Town’s operating budget for the current fiscal year and for the next two following fiscal years. The Selectmen work with the various boards established within the Town to coordinate the preparation of a Town-wide budget for the upcoming fiscal year. This budget is then presented to the Annual Town Meeting by the Selectmen, together with any comments of the Advisory Committee.

The level of budgetary control is established by Town Meeting and this approval defines the level at which expenditures may not exceed appropriations. This level is typically at the individual department salary and expense level. The Town Accountant is responsible for ensuring all payroll and invoices are within the budgetary control level before authorizing payment. Additional appropriations may be approved at subsequent Town Meetings. The Advisory Committee, upon request by the Board of Selectmen, may approve during the year a transfer from a reserve fund established at Town Meeting. These controls ensure compliance with the budget approved by Town Meeting.

Cash Management

Cash management is handled by the Town Treasurer, who monitors the Town’s cash flow and provides for the investment of Town funds. The Treasurer seeks to maximize the return on Town funds while maintaining adequate protection and liquidity of funds.

Quarterly tax billings and excellent collection rates have eliminated the need to borrow on a short term basis to maintain cash flow. The Town’s investment options are governed by Massachusetts General Laws and focus on safety, liquidity and yield.

Risk Management

The Town manages its risk through a combination of self-insured programs and premium based coverage with commercial insurance carriers. Workers compensation and unemployment activities are self-insured while exposures to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters are covered through policies purchased from commercial carriers. Third-party

coverage is maintained for individual workers' compensation claims in excess of \$250,000. In addition the Town administers a workers compensation internal service fund and has recorded its incurred-but-not-reported liability based on an annual actuarial valuation. Additional information on the Town's risk management activity can be found in the notes to the financial statements.

Pension and Other Post Employment Benefits

The Town contributes to the Wellesley Contributory Retirement System, a defined benefit pension plan administered by the Wellesley Contributory Retirement Board. An independent actuary engaged by the Board calculates the amount of the annual contribution that the Town must make to the pension plan to ensure that the plan will be able to fully meet its obligations to retired employees on a timely basis. As required by law, the Town fully funds each year's annual required contribution to the pension plan as determined by the actuary. The System is one of the few in Massachusetts that is fully funded.

The Town also provides post retirement health care benefits for certain retirees and their dependents. At June 30, 2006 there were 755 retired employees receiving these benefits, which are financed on a pay-as-you-go basis. Recently the GASB issued Statement #43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans and Statement #45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, which are required to be implemented in fiscal year 2009. The Town recognized early the need to provide for this benefit, and *Chapter 88 of the Acts of 2004 – An Act Authorizing the Town of Wellesley to Establish a Group Insurance Liability Fund* was enacted that allows the Town to begin the process of funding the liability. As of June 30, 2006 the Town has obtained various estimates of the liability and initial funding is scheduled to begin in fiscal year 2007.

Additional information on the Town's pension and post employment benefits can be found in the notes to the financial statements.

Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Wellesley for its Comprehensive Annual Financial Reports (CAFR) for the fiscal years ended June 30, 2005 and 2004. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of a state and local government financial report.

In order to be awarded the Certificate of Achievement, a government must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, whose contents conform to program standards. The report must satisfy both generally accepted accounting principles and applicable legal requirements.

We would like to express our appreciation to all the members of the departments who assisted and contributed to the preparation of this report. Credit must also be given to the Town Selectmen for their unfailing support for maintaining the highest standards of professionalism in the management of the Town's finances.

Respectively submitted,



Hans Larsen
Executive Director of General Government Services

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Town of Wellesley
Massachusetts

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2005

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Carla E. Fudge

President

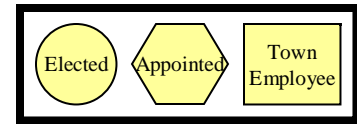
Jeffrey R. Emer

Executive Director

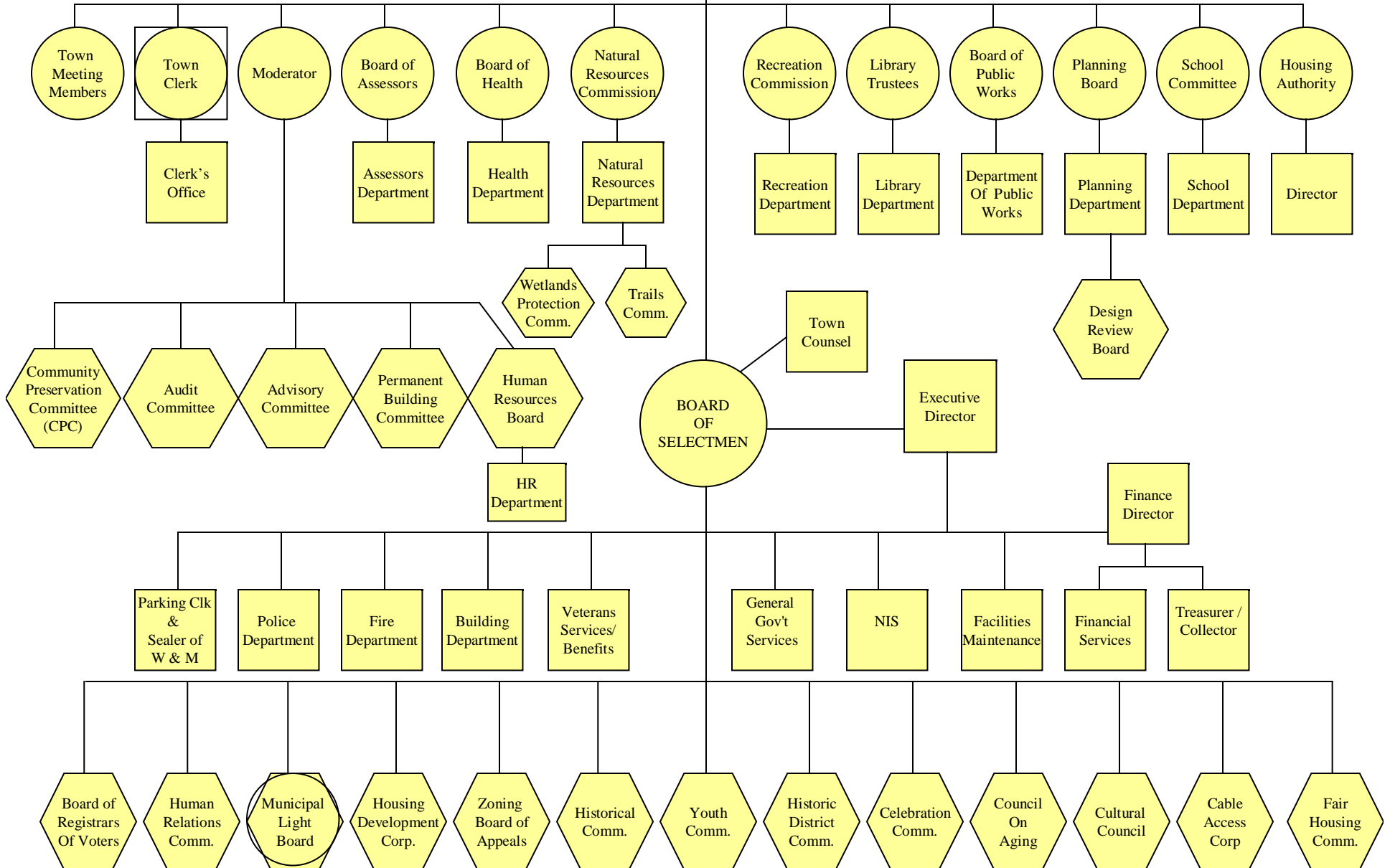


Wellesley Town Government Organization

VOTERS



www.wellesleyma.gov



Principal Town Officials

<u>Elected Officials</u>		<u>Term Expires</u>
Board of Selectmen	Katherine L. Babson, Chairperson	2008
	Owen H. Dugan, Vice Chairperson	2009
	Harriet S. Warshaw, Secretary	2009
	David J. Himmelberger	2008
	Vincent Juliani, Jr.	2007
Moderator	Heather B. Sawitsky	2007
Town Clerk	Kathleen F. Nagle	2009
School Committee	Michael Young, Chairperson	2009
	Marlene Allen, Secretary	2009
	Suzanne B. Newman, Vice Chairperson	2008
	Susan Jablonski	2008
	Suzy Littlefield	2007

Appointed Officials

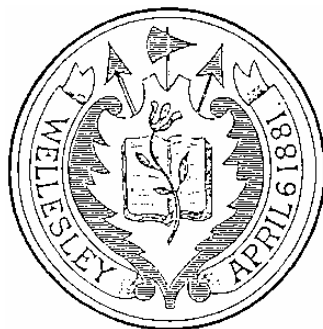
Executive Director of General Governmental Services	Hans Larsen
Superintendent of Public Schools	Dr. Matthew King
Town Counsel	Albert S. Robinson
Finance Director/Town Accountant	Sheryl Strother
Chief Assessor	Donna Lee McCabe
Treasurer/Collector	Marc V. Waldman
Fire Chief	Kevin Rooney
Police Chief	Terrence M. Cunningham
Human Resources Director	Susan Adler
Library Director	Janice G. Coduri
Public Works Director	Michael Pakstis
Municipal Light Plant Manager	Richard F. Joyce
Network and Information Systems	Thomas J. D'Orazio

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Financial Section



Pictured is the recently renovated Warren Building which is home to Wellesley's Board of Health and to the Town's Recreation Department.



**Town of Wellesley, Massachusetts
Comprehensive Annual Financial Report
For the fiscal year ended June 30, 2006**

Financial Section

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Independent Auditors' Report

To the Audit Committee
Town of Wellesley, Massachusetts

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Wellesley, Massachusetts, as of and for the fiscal year ended June 30, 2006 (except for the Wellesley Contributory Retirement System which is as of and for the year ended December 31, 2005), which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Wellesley, Massachusetts' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Wellesley, Massachusetts, as of June 30, 2006 (except for the Wellesley Contributory Retirement System which is as of December 31, 2005), and the respective changes in financial position and cash flows, where applicable, thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2006, on our consideration of the Town of Wellesley, Massachusetts' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The combining and individual fund statements and schedules, as listed in the table of contents, are presented for the purpose of supplementary analysis and are not a required part of the financial statements of the Town of Wellesley, Massachusetts. Such supplementary information has been subjected to the auditing procedures applied in the audit of the financials statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

Management's discussion and analysis, located on the following pages, and schedule of revenues, expenditures and changes in fund balance – general fund – budgetary basis, located after the notes to the basic financial statements, are not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

A handwritten signature in cursive script, reading "Bowers + Sullivan".

December 1, 2006

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Management's Discussion and Analysis

Management's Discussion and Analysis

As management of the Town of Wellesley, Massachusetts, we offer readers of these financial statements this narrative overview and analysis of the financial activities of the Town of Wellesley for the fiscal year ended June 30, 2006. This is the fourth year our financial statements have been prepared under the Government Accounting Standards Board Statement No. 34 – Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments. We encourage readers to consider the information presented in this report in conjunction with additional information that we have furnished in our letter of transmittal.

The Governmental Accounting Standards Board (GASB) is the authoritative standard setting body that provides guidance on how to prepare financial statements in conformity with generally accepted accounting principles (GAAP). Users of these financial statements (such as investors and rating agencies) rely on the GASB to establish consistent reporting standards for all governments in the United States. This consistent application is the only way users (including citizens, the media, legislators and others) can assess the financial condition of one government compared to others.

Governments must adhere to GASB pronouncements in order to issue their financial statements in conformity with GAAP. The users of financial statements also rely on the independent auditor's opinion. If the Town's financial statements have significant departures from GAAP the independent auditors may issue a qualified opinion or a disclaimer (where no opinion is given). These types of opinions may have an adverse effect on the Town's bond rating and our ability to borrow money at favorable interest rates. The Town has enjoyed an unqualified opinion on its financial statements for many years.

Financial Highlights

- The government-wide assets of the Town of Wellesley exceeded its liabilities at the close of the most recent fiscal year by \$80.9 million and 76.7 million (net assets) for governmental activities and business-type activities, respectively.
- Of these amounts, 21% or \$33.5 million (unrestricted net assets) may be used to meet the government's on-going obligations to citizens and creditors.
- At the close of the current fiscal year, the Town of Wellesley's general fund reported an ending fund balance of \$8.5 million, an increase of \$1.2 million over the prior year. Total fund balance represents 9% of total general fund expenditures. Approximately \$6.5 million of this total amount is available for appropriation at the government's discretion.
- The Town of Wellesley's total governmental debt increased by approximately \$7.0 million during the current fiscal year. This was the net effect of \$4.5 million in principal payments on debt and the issuance of \$11.5 million in new debt primarily for school related projects.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town of Wellesley's basic financial statements. The Town's basic financial statements comprise three components: 1) government-wide financial statements 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the Town's finances, in a manner similar to private-sector businesses.

The statement of net assets presents information on all of the Town's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The statement of activities presents information showing how the Town's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing or the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities include general government, public safety, public education, public works, health and sanitation, library, recreation, traffic and parking management, community preservation, interest, and other. The business-type activities include the activities of the sewer, water, and electric enterprise funds.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Town maintains two major governmental funds that are presented separately in the governmental fund financial statements. The remaining non-major funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The Town adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Proprietary funds. The Town maintains two types of proprietary funds.

Enterprise funds are used to report the same functions as business-type activities in the government-wide financial statements. The Town uses enterprise funds to account for its sewer, water, and electric operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for sewer, water, and electric operations, all of which are considered major funds of the Town.

Internal service funds are an accounting device used to accumulate and allocate costs internally among various functions. The Town maintains an internal service fund to account for health insurance, self-insured worker's compensation, information technology services, fleet maintenance and fuel.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the Town's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Town of Wellesley, assets exceeded liabilities by \$158 million at the close of the fiscal year 2006.

Government-wide net assets of \$118.9 million (75%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that are still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Town of Wellesley's net assets, \$5.2 million (3%), represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, \$33.5 million (22%), may be used to meet the Town's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Town of Wellesley is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

Details related to the Town's governmental and business-type activities follow.

Governmental activities. The governmental activities net assets increased by \$6.6 million during the current fiscal year as compared to a decrease in net assets of (\$1.8) million during the prior fiscal year. The key elements of the change for FY2006 relates mainly to increases in virtually all revenue categories and expenses remaining relatively the same as the prior year.

Governmental Activities Condensed Statement of Net Assets

	June 30, 2006	June 30, 2005
Assets:		
Current assets.....	\$ 52,418,398	\$ 46,763,493
Noncurrent assets (excluding capital).....	5,112,847	6,592,097
Capital assets, non depreciable.....	20,657,377	9,017,102
Capital assets, net of accumulated depreciation.....	78,578,863	74,866,868
Total assets.....	156,767,485	137,239,560
Liabilities:		
Current liabilities (excluding debt).....	6,350,721	6,724,479
Noncurrent liabilities (excluding debt).....	979,288	1,088,250
Current debt.....	16,948,000	9,210,474
Noncurrent debt.....	51,565,000	45,880,000
Total liabilities.....	75,843,009	62,903,203
Net Assets:		
Capital assets net of related debt.....	59,460,936	56,280,575
Restricted.....	5,156,611	1,854,216
Unrestricted.....	16,306,929	16,201,566
Total net assets.....	\$ 80,924,476	\$ 74,336,357

Current assets and noncurrent assets (excluding capital) in total increased from the previous year by approximately \$4.2 million. This increase and the change in the classification of current and noncurrent assets relates mainly to an increase in pooled investments allocated to Governmental Activities which was offset by a decrease of (\$1.4 million) in intergovernmental receivables.

Governmental capital assets increased during the year by approximately \$15.3 million. This was the result of \$18.9 million of capital additions primarily in the areas of school buildings and infrastructure, and depreciation expense in the amount of approximately \$3.6 million.

Governmental Activities Condensed Statement of Activities

	June 30, 2006	June 30, 2005
Program revenues:		
Charges for services.....	\$ 8,070,206	\$ 7,371,913
Operating grants and contributions.....	15,529,030	14,949,439
Capital grants and contributions.....	2,240,277	910,763
General Revenues:		
Real estate and personal property taxes.....	71,321,199	67,205,004
Motor vehicle and other excise taxes.....	4,024,721	3,992,408
Community preservation tax.....	647,462	590,772
Nonrestricted grants, contributions, and other.....	2,190,228	1,841,256
Unrestricted investment income.....	1,612,751	843,910
Total revenues.....	105,635,874	97,705,465
Expenses:		
General Government.....	5,719,762	5,911,754
Public Safety.....	11,107,846	10,444,322
Public Education.....	66,291,816	67,773,355
Public Works.....	7,719,262	8,028,150
Health and sanitation.....	923,438	908,898
Library.....	3,182,478	2,966,722
Recreation.....	1,556,295	1,586,785
Traffic and parking management.....	614,061	616,467
Community preservation.....	394,938	401,717
Interest.....	1,965,900	1,725,684
Other.....	696,959	486,780
Total expenses.....	100,172,755	100,850,634
Excess (Deficiency) before transfers.....	5,463,119	(3,145,169)
Transfers.....	1,125,000	1,391,000
Change in net assets.....	\$ 6,588,119	\$ (1,754,169)

Other financial notes related to governmental activities:

- Charges for services represented 7.6% of governmental activities resources. The Town can exercise more control over this category of revenue than any other. Fees charged for services rendered that are set by the Town are included in this category.
- Operating grants and contributions accounted for 14.7% percent of the governmental activities resources. Most of these resources apply to educational operations. These resources offset costs within the school department and supplement their General Fund operating budget.
- Property taxes are by far the most significant revenue source for the Town's governmental activities. They comprised 67.4% of current resources.
- Other taxes and other revenues comprised a total of 10.3% percent of the governmental activities resources.
- Education is by far the largest governmental activity of the Town. Approximately \$66.3 million in taxes and other revenue were needed to cover its Fiscal 2006 operating expenses. A pension contribution of approximately \$7.6 million made by the state on-behalf of Wellesley teachers was recorded as an

expense and grant revenue. Educational expenses in FY2005 included a one-time grant expense of \$6.1 million relating to certain costs that exceeded the reimbursable criteria of the Massachusetts School Building Authority's grant program.

- Public safety and public works are the second and third largest activities of the Town. Approximately \$11.1 million and \$7.7 million, respectively, of taxes and other revenue were needed to cover their Fiscal 2006 operating expenses.

Business-type activities. Business-type activities increased the Town's net assets by \$3.3 million compared to an increase of \$4.4 million during the previous fiscal year. Key elements of this change relate mainly to an increase in expenses of \$2.9 million compared with an increase in revenues of \$1.6 million, and a decrease in amounts transferred of approximately \$266,000.

As shown below, business-type activities assets exceeded liabilities by \$76.6 million at the close of fiscal year 2006. Capital assets net of related debt was \$59.5 million (78%) while unrestricted net assets were \$17.2 million (22%). The Electric Light department experienced a \$3.3 million increase in net assets while the water and sewer funds basically broke even while recovering all of their costs through rates. These results continue to reflect management's goal of maintaining the systems while only charging users for the cost of operations.

Business-type Condensed Statement of Net Assets

	June 30, 2006	June 30, 2005
Assets:		
Current assets.....	\$ 19,544,127	\$ 20,952,746
Noncurrent assets (excluding capital).....	483,700	-
Capital assets, non depreciable.....	1,115,289	1,679,482
Capital assets, net of accumulated depreciation.....	62,196,700	56,891,627
Total assets.....	83,339,816	79,523,855
Liabilities:		
Current liabilities (excluding debt).....	2,804,255	2,466,001
Current debt.....	562,014	485,594
Noncurrent debt.....	3,311,021	3,232,360
Total liabilities.....	6,677,290	6,183,955
Net Assets:		
Capital assets net of related debt.....	59,462,054	54,876,155
Unrestricted.....	17,200,472	18,463,745
Total net assets.....	\$ 76,662,526	\$ 73,339,900

	June 30, 2006	June 30, 2005
Program revenues:		
Charges for services.....	\$ 31,078,989	\$ 29,226,805
Capital grants and contributions.....	591,823	635,218
General Revenues:		
Unrestricted investment income.....	90,127	59,231
Total revenues.....	31,760,939	29,921,254
Expenses:		
Sewer.....	5,231,528	5,030,351
Water.....	3,776,231	3,473,977
Electric department.....	18,305,554	15,675,397
Total expenses.....	27,313,313	24,179,725
Excess before transfers.....	4,447,626	5,741,529
Transfers.....	(1,125,000)	(1,391,000)
Change in net assets.....	\$ 3,322,626	\$ 4,350,529

Financial Analysis of the Government's Major Funds

As noted earlier, The Town of Wellesley uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, the unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$27.5 million, an increase of \$94,000 over the prior year. The increase is mainly related to an excess of revenues and transfers in over expenditures in the general fund amounting to approximately \$1.3 million, and a net decrease of (\$1.2) million in the capital projects fund and the nonmajor funds.

General Fund

The General Fund is the chief operating fund of the Town. At the end of the current fiscal year, the unreserved fund balance of the general fund was \$6.5 million, while the total fund balance was \$8.5 million. As a measure of the general fund's liquidity, it may be useful to compare both the unreserved fund balance and the total fund balance to total fund expenditures. The unreserved fund balance represents 6.8% of total general fund expenditures, while the total fund balance represents 9.0% of that same amount.

Fund balance of the General Fund increased by \$1.2 million during fiscal year 2006. This is primarily due to management's ability to monitor budgetary results during the year and its goal of maintaining the Town's strong financial position.

Capital Projects Major Fund

Capital funds under the modified accrual basis of accounting normally have significant fluctuations as major capital projects are constructed. During FY2006 the Town borrowed \$11.5 million of general obligation bonds and \$11.2 million in bond anticipation notes to fund school construction projects and to pay down prior year bond anticipation notes. In addition to the bond issuances the fund had revenues of \$1.6 million and expenditures of \$16.2 million leaving an ending fund balance of \$8.5 million.

Proprietary funds. The Town's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Factors concerning the finances of these funds have already been addressed in the discussion of the Town's business-type activities.

General Fund Budgetary Highlights

Differences between the original general fund budget appropriations and the final budget of approximately \$1.1 million relates mainly to educational, public works, and recreational activities.

General fund revenues exceed budget by approximately \$1.3 million relating mainly to tax liens not budgeted for in the amount of \$258,000 and an increase in investment income over the budgeted amount of \$851,000.

Most departments realized favorable budget variances except for the Department of Public Works (DPW). The DPW's budget was over expended as a result of snow and ice removal costs exceeding forecast activity. This is one area where municipalities are allowed to deficit spend under state law. Expenditures exceeded appropriations for snow and ice removal costs in the amount of (\$200,000). This deficit will be raised in the subsequent year's budget.

Capital Assets and Debt Management

In conjunction with the operating budget, the Town annually prepares a capital budget which includes detailed information concerning those capital requests for the upcoming fiscal year as well as summary information for the following four fiscal years to identify current projections of what level of capital outlay will be required in future years.

As part of the capital plan the Town has historically financed the acquisition of a portion of its capital assets from current revenue. As noted earlier, this policy will continue to improve the financial position as net assets will increase by the amount of acquisitions less the current depreciation.

Major capital assets are funded by the issuance of long-term debt. The effect on net assets during the construction phase of the project is neutral since the Town increased its assets and associated liabilities by the same amount. In subsequent years the net assets will be reduced through depreciation and will be increased by the revenues raised to support the debt principal payments. Outstanding long-term debt of the general government, as of June 30, 2006, totaled \$57.3 million, of which, \$39.6 million is related to school projects, \$6.4 million is related to the new library, \$6.6 million is related to the Warren building renovation, leaving a balance of \$4.7 million for other Town projects.

The enterprise funds have \$323,000 in sewer enterprise debt and \$3.5 million in water enterprise debt that is fully supported by the rates and do not rely on a general fund subsidy.

The Town's major capital project fund is used mainly to account for the Town's school construction projects. To fund these school projects, the Town issued \$16 million of long term bonds in Fiscal 2001, \$5.5 million of long term bonds in Fiscal 2003, \$17.3 million of long term bonds in Fiscal 2005, and \$9.9 million of long term bonds in

Fiscal 2006. The Commonwealth of Massachusetts, through the Massachusetts School Building Authority, has provided approximately \$12.7 million in the form of a grant equal to 57% of the approved costs, as defined, of the Bates and Sprague elementary school expansion and renovation projects.

Please refer to notes 4, 6, and 7 to the financial statements for further discussion of the major capital and debt activity.

Requests for Information

This financial report is designed to provide a general overview of the Town's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Finance Director, 525 Washington Street, Wellesley, MA 02482.

Basic Financial Statements

STATEMENT OF NET ASSETS

JUNE 30, 2006

	<i>Primary Government</i>		
	Governmental Activities	Business-type Activities	Total
ASSETS			
CURRENT:			
Cash and cash equivalents.....	\$ 28,360,300	\$ 11,229,001	\$ 39,589,301
Investments.....	16,562,998	4,415,631	20,978,629
Receivables, net of allowance for uncollectibles:			
Real estate and personal property taxes.....	2,581,547	-	2,581,547
Tax liens.....	308,112	-	308,112
Motor vehicle excise taxes.....	195,675	-	195,675
User charges.....	-	2,974,173	2,974,173
Departmental and other.....	103,840	-	103,840
Intergovernmental.....	4,305,926	-	4,305,926
Inventory.....	-	827,092	827,092
Other assets.....	-	61,566	61,566
Prepaid expenses.....	-	36,664	36,664
NONCURRENT:			
Receivables, net of allowance for uncollectibles:			
Intergovernmental.....	5,596,547	-	5,596,547
Internal balances.....	(483,700)	483,700	-
Capital assets, non depreciable.....	20,657,377	1,115,289	21,772,666
Capital assets, net of accumulated depreciation.....	78,578,863	62,196,700	140,775,563
TOTAL ASSETS.....	156,767,485	83,339,816	240,107,301
LIABILITIES			
CURRENT:			
Warrants payable.....	2,023,804	1,871,272	3,895,076
Accrued payroll.....	3,615,812	130,762	3,746,574
Tax refunds payable.....	25,576	-	25,576
Accrued interest.....	157,595	5,850	163,445
Other liabilities.....	121,017	768,952	889,969
Compensated absences.....	157,917	27,419	185,336
Workers' compensation.....	249,000	-	249,000
Bonds and notes payable.....	16,948,000	562,014	17,510,014
NONCURRENT:			
Compensated absences.....	398,288	23,100	421,388
Workers' compensation.....	581,000	-	581,000
Bonds and notes payable.....	51,565,000	3,287,921	54,852,921
TOTAL LIABILITIES.....	75,843,009	6,677,290	82,520,299
NET ASSETS			
Invested in capital assets, net of related debt.....	59,460,936	59,462,054	118,922,990
Restricted for:			
Permanent funds:			
Expendable.....	658,718	-	658,718
Nonexpendable.....	220,712	-	220,712
Grants and gifts.....	997,718	-	997,718
Community preservation.....	3,279,463	-	3,279,463
Unrestricted.....	16,306,929	17,200,472	33,507,401
TOTAL NET ASSETS.....	\$ 80,924,476	\$ 76,662,526	\$ 157,587,002

See notes to basic financial statements.

STATEMENT OF ACTIVITIES

FISCAL YEAR ENDED JUNE 30, 2006

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:					
<i>Governmental Activities:</i>					
General government.....	\$ 5,719,762	\$ 443,207	\$ 46,226	\$ -	\$ (5,230,329)
Public safety.....	11,107,846	2,829,868	276,370	-	(8,001,608)
Public education.....	66,291,816	2,385,765	14,537,555	-	(49,368,496)
Public works.....	7,719,262	670,982	9,679	1,013,005	(6,025,596)
Health and sanitation.....	923,438	6,435	44,888	-	(872,115)
Library.....	3,182,478	92,218	468,206	-	(2,622,054)
Recreation.....	1,556,295	942,066	76,486	-	(537,743)
Traffic and parking management.....	614,061	699,665	-	-	85,604
Community preservation.....	394,938	-	-	1,227,272	832,334
Interest.....	1,965,900	-	69,620	-	(1,896,280)
Other.....	696,959	-	-	-	(696,959)
Total Governmental Activities.....	100,172,755	8,070,206	15,529,030	2,240,277	(74,333,242)
<i>Business-Type Activities:</i>					
Sewer.....	5,231,528	5,163,965	-	57,879	(9,684)
Water.....	3,776,231	3,908,114	-	-	131,883
Electric department.....	18,305,554	22,006,910	-	533,944	4,235,300
Total Business-Type Activities.....	27,313,313	31,078,989	-	591,823	4,357,499
Total Primary Government.....	\$ 127,486,068	\$ 39,149,195	\$ 15,529,030	\$ 2,832,100	\$ (69,975,743)

See notes to basic financial statements.

(Continued)

STATEMENT OF ACTIVITIES (Continued)

FISCAL YEAR ENDED JUNE 30, 2006

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Changes in net assets:			
Net (expense) revenue from previous page.....	\$ <u>(74,333,242)</u>	\$ <u>4,357,499</u>	\$ <u>(69,975,743)</u>
<i>General revenues:</i>			
Real estate and personal property taxes, net of tax refunds.....	71,063,097	-	71,063,097
Tax liens.....	258,102	-	258,102
Motor vehicle and other excise taxes.....	3,963,416	-	3,963,416
Hotel/motel tax.....	61,305	-	61,305
Community preservation tax.....	647,462	-	647,462
Penalties and interest on taxes.....	182,638	-	182,638
Payments in lieu of taxes.....	346,877	-	346,877
Grants and contributions not restricted to specific programs.....	1,388,283	-	1,388,283
Unrestricted investment income.....	1,612,751	90,127	1,702,878
Miscellaneous.....	272,430	-	272,430
<i>Transfers, net</i>	<u>1,125,000</u>	<u>(1,125,000)</u>	<u>-</u>
Total general revenues and transfers.....	<u>80,921,361</u>	<u>(1,034,873)</u>	<u>79,886,488</u>
Change in net assets.....	6,588,119	3,322,626	9,910,745
<i>Net Assets:</i>			
Beginning of year.....	<u>74,336,357</u>	<u>73,339,900</u>	<u>147,676,257</u>
End of year.....	\$ <u><u>80,924,476</u></u>	\$ <u><u>76,662,526</u></u>	\$ <u><u>157,587,002</u></u>

(Concluded)

**GOVERNMENTAL FUNDS
BALANCE SHEET**

JUNE 30, 2006

	General	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents.....	\$ 8,205,821	\$ 15,388,080	\$ 4,481,612	\$ 28,075,513
Investments.....	3,948,139	6,051,125	5,469,751	15,469,015
Receivables, net of uncollectibles:				
Real estate, personal property and tax deferrals	2,581,547	-	-	2,581,547
Tax liens.....	308,112	-	-	308,112
Motor vehicle excise taxes.....	195,675	-	-	195,675
Departmental and other.....	28,453	-	75,387	103,840
Intergovernmental.....	7,291,664	-	2,610,809	9,902,473
Due from other funds.....	-	-	377,138	377,138
TOTAL ASSETS.....	\$ 22,559,411	\$ 21,439,205	\$ 13,014,697	\$ 57,013,313
LIABILITIES				
LIABILITIES:				
Warrants payable.....	\$ 456,182	\$ 1,234,132	\$ 275,290	\$ 1,965,604
Accrued payroll.....	3,537,464	9,594	39,057	3,586,115
Tax refunds payable.....	25,576	-	-	25,576
Other liabilities.....	119,628	-	1,389	121,017
Deferred revenues.....	9,926,075	-	1,909,002	11,835,077
Advances from and due to other funds.....	-	483,700	377,138	860,838
Notes payable.....	-	11,167,000	-	11,167,000
TOTAL LIABILITIES.....	14,064,925	12,894,426	2,601,876	29,561,227
FUND BALANCES:				
Reserved for:				
Encumbrances and continuing appropriations.....	2,014,113	-	-	2,014,113
Perpetual permanent funds.....	-	-	220,712	220,712
Unreserved:				
Undesignated, reported in:				
General fund.....	6,480,373	-	-	6,480,373
Special revenue funds.....	-	-	9,533,391	9,533,391
Capital projects funds.....	-	8,544,779	-	8,544,779
Permanent funds.....	-	-	658,718	658,718
TOTAL FUND BALANCES.....	8,494,486	8,544,779	10,412,821	27,452,086
TOTAL LIABILITIES AND FUND BALANCES.....	\$ 22,559,411	\$ 21,439,205	\$ 13,014,697	\$ 57,013,313

See notes to basic financial statements.

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TOTAL FUND BALANCES TO THE STATEMENT OF NET ASSETS**

June 30, 2006

Total governmental fund balances.....	\$ 27,452,086
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....	99,236,240
Accounts receivable are not available to pay for current-period expenditures and, therefore, are deferred in the funds.....	11,835,077
Internal service funds are used by management to account for health insurance activities, workers' compensation activities, and for information technology services and fleet maintenance services.	
The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net assets.....	460,873
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.....	(157,595)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds	
Bonds and notes payable.....	(57,346,000)
Compensated absences.....	(556,205)
Net effect of reporting long-term liabilities.....	<u>(57,902,205)</u>
Net assets of governmental activities.....	<u>\$ 80,924,476</u>

See notes to basic financial statements.

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

FISCAL YEAR ENDED JUNE 30, 2006

	General	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:				
Real estate and personal property taxes, net of tax refunds.....	\$ 71,217,505	\$ -	\$ -	\$ 71,217,505
Tax liens.....	258,102	-	-	258,102
Motor vehicle and other excise taxes.....	4,038,289	-	-	4,038,289
Payments in lieu of taxes.....	346,877	-	-	346,877
Penalties and interest on taxes.....	182,638	-	-	182,638
Charges for services.....	-	-	990,903	990,903
Parking meter receipts.....	-	-	699,665	699,665
Intergovernmental.....	12,840,788	1,615,974	4,495,757	18,952,519
Departmental and other.....	4,539,104	-	2,174,267	6,713,371
Community preservation tax.....	-	-	647,462	647,462
Contributions.....	-	-	2,118,269	2,118,269
Investment income.....	1,248,988	-	363,763	1,612,751
TOTAL REVENUES.....	94,672,291	1,615,974	11,490,086	107,778,351
EXPENDITURES:				
Current:				
General government.....	3,844,015	-	7,082	3,851,097
Public safety.....	8,796,356	602,811	778,118	10,177,285
Public education.....	44,053,793	15,247,923	6,133,353	65,435,069
Public works.....	7,075,137	185,539	1,673,071	8,933,747
Health and sanitation.....	784,197	-	44,613	828,810
Recreation.....	1,166,928	26,799	131,055	1,324,782
Library.....	2,203,452	107,030	348,711	2,659,193
Teachers pension benefits - state funded.....	7,571,709	-	-	7,571,709
Employee benefits.....	10,449,000	-	17,484	10,466,484
Traffic and parking management.....	-	-	614,061	614,061
Community preservation.....	-	-	394,938	394,938
Other.....	696,959	-	-	696,959
State and county charges.....	932,492	-	-	932,492
Debt service:				
Principal.....	4,520,000	-	-	4,520,000
Interest.....	1,938,444	-	-	1,938,444
TOTAL EXPENDITURES.....	94,032,482	16,170,102	10,142,486	120,345,070
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....	639,809	(14,554,128)	1,347,600	(12,566,719)
OTHER FINANCING SOURCES (USES):				
Issuance of long-term debt.....	-	11,466,000	-	11,466,000
Premium from issuance of bonds.....	69,620	-	-	69,620
Transfers in.....	1,406,225	122,800	743,603	2,272,628
Transfers out.....	(866,403)	-	(281,225)	(1,147,628)
TOTAL OTHER FINANCING SOURCES (USES).....	609,442	11,588,800	462,378	12,660,620
NET CHANGE IN FUND BALANCES.....	1,249,251	(2,965,328)	1,809,978	93,901
FUND BALANCES AT BEGINNING OF YEAR.....	7,245,235	11,510,107	8,602,843	27,358,185
FUND BALANCES AT END OF YEAR.....	\$ 8,494,486	\$ 8,544,779	\$ 10,412,821	\$ 27,452,086

See notes to basic financial statements.

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES**

FISCAL YEAR ENDED JUNE 30, 2006

Net change in fund balances - total governmental funds.....	\$	93,901
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>		
Capital outlay.....	18,907,401	
Depreciation expense.....	<u>(3,555,131)</u>	
Net effect of reporting capital assets.....		15,352,270
<p>Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in deferred revenue.....</p>		
		(2,185,259)
<p>The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.</p>		
Proceeds from bonds and notes.....	(11,466,000)	
Debt service principal payments.....	<u>4,520,000</u>	
Net effect of reporting long-term debt.....		(6,946,000)
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.</p>		
Net change in compensated absences accrual.....	150,795	
Net change in accrued interest on long-term debt.....	<u>(27,456)</u>	
Net effect of recording long-term liabilities.....		123,339
<p>Internal service funds are used by management to account for health insurance activities, workers' compensation activities, and for information technology services and fleet maintenance services.</p>		
The net activity of internal service funds is reported with Governmental Activities.....		<u>149,868</u>
Change in net assets of governmental activities.....	\$	<u><u>6,588,119</u></u>

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF NET ASSETS

JUNE 30, 2006

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Sewer	Water	Electric Department	Total	Funds
ASSETS					
CURRENT:					
Cash and cash equivalents.....	\$ 1,646,923	\$ 1,433,179	\$ 8,148,899	\$ 11,229,001	\$ 284,787
Investments.....	647,627	563,575	3,204,429	4,415,631	1,093,983
Receivables, net of allowance for uncollectibles:					
User charges.....	436,049	455,324	2,082,800	2,974,173	-
Inventory.....	-	116,312	710,780	827,092	-
Other assets.....	-	-	61,566	61,566	-
Prepaid expenses.....	-	-	36,664	36,664	-
Total current assets.....	2,730,599	2,568,390	14,245,138	19,544,127	1,378,770
NONCURRENT:					
Receivables, net of allowance for uncollectibles:					
Advances to other funds.....	150,350	150,350	183,000	483,700	-
Capital assets, nondepreciable.....	86,232	150,687	878,370	1,115,289	-
Capital assets, net of accumulated depreciation.....	10,777,081	14,206,802	37,212,817	62,196,700	-
Total noncurrent assets.....	11,013,663	14,507,839	38,274,187	63,795,689	-
TOTAL ASSETS.....	13,744,262	17,076,229	52,519,325	83,339,816	1,378,770
LIABILITIES					
CURRENT:					
Warrants payable.....	8,189	50,203	1,812,880	1,871,272	58,200
Accrued payroll.....	15,560	42,394	72,808	130,762	29,697
Accrued interest.....	-	5,850	-	5,850	-
Other liabilities.....	2,075	37,720	729,157	768,952	-
Compensated absences.....	-	6,006	21,413	27,419	-
Workers' compensation.....	-	-	-	-	249,000
Bonds and notes payable.....	132,014	430,000	-	562,014	-
Total current liabilities.....	157,838	572,173	2,636,258	3,366,269	336,897
NONCURRENT:					
Compensated absences.....	-	8,900	14,200	23,100	-
Workers' compensation.....	-	-	-	-	581,000
Bonds and notes payable.....	190,964	3,096,957	-	3,287,921	-
Total noncurrent liabilities.....	190,964	3,105,857	14,200	3,311,021	581,000
TOTAL LIABILITIES.....	348,802	3,678,030	2,650,458	6,677,290	917,897
NET ASSETS					
Invested in capital assets, net of related debt.....	10,690,685	10,980,882	38,274,187	59,945,754	-
Unrestricted.....	2,704,775	2,417,317	11,594,680	16,716,772	460,873
TOTAL NET ASSETS.....	\$ 13,395,460	\$ 13,398,199	\$ 49,868,867	\$ 76,662,526	\$ 460,873

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

FISCAL YEAR ENDED JUNE 30, 2006

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Sewer	Water	Electric Department	Total	
OPERATING REVENUES:					
Charges for services	\$ 5,140,828	\$ 3,908,114	\$ 21,473,905	\$ 30,522,847	\$ 12,856,903
Employee contributions	-	-	-	-	3,358,065
Other.....	23,137	-	533,005	556,142	-
TOTAL OPERATING REVENUES	5,163,965	3,908,114	22,006,910	31,078,989	16,214,968
OPERATING EXPENSES:					
MWRA Assessment.....	4,006,431	393,553	-	4,399,984	-
Production.....	-	-	11,669,446	11,669,446	-
Transmission and distribution.....	-	865,884	4,204,860	5,070,744	-
Other source of supply.....	-	140,133	-	140,133	-
Pumping and treatment.....	211,132	683,044	-	894,176	-
Collection.....	295,436	-	-	295,436	-
Customer accounts.....	89,041	185,423	236,925	511,389	-
Supplies and services.....	-	-	-	-	16,084,515
Administration and general.....	346,408	541,151	502,525	1,390,084	-
Depreciation.....	283,080	808,516	1,680,938	2,772,534	-
TOTAL OPERATING EXPENSES	5,231,528	3,617,704	18,294,694	27,143,926	16,084,515
OPERATING INCOME (LOSS).....	(67,563)	290,410	3,712,216	3,935,063	130,453
NONOPERATING REVENUES (EXPENSES):					
Investment income.....	9,032	7,112	73,983	90,127	19,415
Interest expense.....	-	(158,527)	(10,860)	(169,387)	-
TOTAL NONOPERATING REVENUES (EXPENSES), NET.....	9,032	(151,415)	63,123	(79,260)	19,415
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS.....	(58,531)	138,995	3,775,339	3,855,803	149,868
CAPITAL CONTRIBUTIONS.....	57,879	-	533,944	591,823	-
TRANSFERS:					
Transfers out.....	(37,000)	(88,000)	(1,000,000)	(1,125,000)	-
CHANGE IN NET ASSETS.....	(37,652)	50,995	3,309,283	3,322,626	149,868
NET ASSETS AT BEGINNING OF YEAR.....	13,433,112	13,347,204	46,559,584	73,339,900	311,005
NET ASSETS AT END OF YEAR.....	\$ 13,395,460	\$ 13,398,199	\$ 49,868,867	\$ 76,662,526	\$ 460,873

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS

FISCAL YEAR ENDED JUNE 30, 2006

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Sewer	Water	Electric Department	Total	
CASH FLOWS FROM OPERATING ACTIVITIES:					
Receipts from customers and users.....	\$ 5,145,788	\$ 3,911,982	\$ 22,091,444	\$ 31,149,214	\$ 3,366,552
Receipts from interfund services provided.....	-	-	-	-	12,856,903
Payments to vendors.....	(4,333,731)	(1,520,890)	(14,757,312)	(20,611,933)	-
Payments to employees.....	(621,156)	(1,312,575)	(1,260,873)	(3,194,604)	(1,263,523)
Payments for interfund services used.....	-	-	-	-	(14,795,380)
NET CASH FROM OPERATING ACTIVITIES.....	190,901	1,078,517	6,073,259	7,342,677	164,552
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Transfers out.....	(37,000)	(88,000)	(1,000,000)	(1,125,000)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Proceeds from the issuance of bonds and notes.....	123,618	516,957	-	640,575	-
Capital contributions.....	57,879	-	533,944	591,823	-
Acquisition and construction of capital assets.....	(211,530)	(446,650)	(7,173,372)	(7,831,552)	-
Advances to other funds.....	(150,350)	(150,350)	(183,000)	(483,700)	-
Principal payments on bonds and notes.....	(55,594)	(430,000)	-	(485,594)	-
Interest expense.....	-	(159,315)	(10,860)	(170,175)	-
Proceeds from sale of capital assets.....	-	-	100,002	100,002	-
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....	(235,977)	(669,358)	(6,733,286)	(7,638,621)	-
CASH FLOWS FROM INVESTING ACTIVITIES:					
Proceeds from sales and maturities of investments.....	404,638	283,227	2,204,295	2,892,160	1,135,028
Purchase of investments.....	(647,627)	(563,575)	(3,204,429)	(4,415,631)	(1,093,983)
Investment income.....	9,032	7,112	73,983	90,127	19,415
NET CASH FROM INVESTING ACTIVITIES.....	(233,957)	(273,236)	(926,151)	(1,433,344)	60,460
NET CHANGE IN CASH AND CASH EQUIVALENTS.....	(316,033)	47,923	(2,586,178)	(2,854,288)	225,012
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR.....	1,962,956	1,385,256	10,735,077	14,083,289	59,775
CASH AND CASH EQUIVALENTS, END OF YEAR.....	\$ 1,646,923	\$ 1,433,179	\$ 8,148,899	\$ 11,229,001	\$ 284,787
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES:					
Operating income (loss).....	\$ (67,563)	\$ 290,410	\$ 3,712,216	\$ 3,935,063	\$ 130,453
Adjustments to reconcile operating income (loss) to net cash from operating activities:					
Depreciation.....	283,080	808,516	1,680,938	2,772,534	-
Loss on disposal of capital assets.....	-	-	255,584	255,584	-
Changes in assets and liabilities:					
Accounts Receivable.....	(18,177)	3,868	84,534	70,225	8,487
Inventory.....	-	(4,671)	11,464	6,793	-
Prepaid expenses.....	-	-	(36,664)	(36,664)	-
Warrants payable.....	(7,974)	(12,287)	269,726	249,465	(60,577)
Accrued payroll.....	1,535	(4,616)	11,390	8,309	189
Other liabilities.....	-	-	79,804	79,804	-
Compensated absences.....	-	(2,703)	4,267	1,564	-
Workers' compensation.....	-	-	-	-	86,000
Total adjustments.....	258,464	788,107	2,361,043	3,407,614	34,099
NET CASH FROM OPERATING ACTIVITIES.....	\$ 190,901	\$ 1,078,517	\$ 6,073,259	\$ 7,342,677	\$ 164,552

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2006

	Pension Trust Fund (as of December 31, 2005)	Private Purpose Trust Funds	Agency Fund
ASSETS			
Cash and cash equivalents.....	\$ 834,288	\$ 6,693	\$ 1,332,156
Investments:			
Equity securities.....	49,870,773	357,326	-
Equity mutual funds.....	55,524,873	-	-
Fixed income mutual funds.....	1,097,887		
Debt securities.....	25,411,580	-	-
PRIT core real estate fund.....	226,612		
PRIT funds.....	283,362	-	-
Interest and dividends receivable.....	169,207	-	-
Receivables, net of allowance for uncollectibles:			
Departmental and other receivables.....	2,458,717	-	-
TOTAL ASSETS	135,877,299	364,019	1,332,156
LIABILITIES			
Warrants payable.....	8,136,041	-	-
Liabilities due depositors.....	-	-	1,332,156
Other liabilities.....	729,765	-	-
TOTAL LIABILITIES	8,865,806	-	1,332,156
NET ASSETS			
Held in trust for pension benefits and other purposes.....	\$ 127,011,493	\$ 364,019	\$ -

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

FISCAL YEAR ENDED JUNE 30, 2006

	Pension Trust Fund (as of December 31, 2005)	Private Purpose Trust Funds
ADDITIONS:		
Contributions:		
Plan members.....	\$ 2,336,238	\$ -
Net investment income:		
Net change in fair value of investments.....	7,214,366	-
Interest.....	894,121	19,235
Dividends.....	902,597	-
Total investment income.....	9,011,084	19,235
Less: investment expense.....	(186,454)	(4,000)
Net investment income.....	8,824,630	15,235
Intergovernmental.....	146,460	-
Transfers from other systems.....	427,089	-
TOTAL ADDITIONS.....	11,734,417	15,235
DEDUCTIONS:		
Administration.....	828,531	-
Transfers to other systems.....	625,262	-
Retirement benefits and refunds.....	7,836,258	-
Educational scholarships.....	-	22,600
TOTAL DEDUCTIONS.....	9,290,051	22,600
CHANGE IN NET ASSETS.....	2,444,366	(7,365)
NET ASSETS AT BEGINNING OF YEAR.....	124,567,127	371,384
NET ASSETS AT END OF YEAR.....	\$ 127,011,493	\$ 364,019

See notes to basic financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying basic financial statements of the Town of Wellesley, Massachusetts (the Town) have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the recognized standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies are described herein.

A. Reporting Entity

The Town was incorporated in 1881 under the statutes of the Commonwealth of Massachusetts (the “Commonwealth”). The Town is a municipal corporation governed by an elected Board of Selectmen.

For financial reporting purposes, the Town has included all funds, organizations, agencies, boards, commissions and institutions. The Town has also considered all potential component units for which it is financially accountable as well as other organizations for which the nature and significance of their relationship with the Town are such that exclusion would cause the basic financial statements to be misleading or incomplete. As required by GAAP, these basic financial statements present the Town (the primary government) and its component units. One entity has been included as a component unit in the reporting entity, because of the significance of its operational and/or financial relationship.

Blended Component Units – Blended component units are entities that are legally separate from the Town, but are so related that they are, in substance, the same as the Town or entities providing services entirely or almost entirely for the benefit of the Town. The following component unit is blended within the primary government:

In the Fiduciary Funds:

- (1) The Wellesley Contributory Retirement System (the System) was established to provide retirement benefits to Town employees, the Wellesley Housing Authority employees, and their beneficiaries. The System is governed by a five-member board comprised of the Finance Director (ex-officio), two members elected by the System’s participants, one member appointed by the Board of Selectmen and one member appointed by the Board members. The System is presented using the accrual basis of accounting and is reported as a pension trust fund in the fiduciary fund financial statements.

Availability of Financial Information for Component Units

The System issues a publicly available audited financial report in accordance with guidelines established by the Commonwealth of Massachusetts’ (Commonwealth) Public Employee Retirement Administration Commission (PERAC). That report may be obtained by contacting the System located at 525 Washington Street, Wellesley, MA 02482.

B. Government-Wide and Fund-Level Financial Statements***Government-Wide Financial Statements***

The government-wide financial statements (i.e., statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units.

Governmental activities, which are primarily supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which are supported primarily by user fees and charges.

Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and displayed in a single column.

Major Fund Criteria

Major funds must be reported if the following criteria are met:

- If the total assets, liabilities, revenues, or expenditures/expenses of an individual governmental or enterprise fund are at least 10 percent of the corresponding element (assets, liabilities, etc.) for all funds of that category or type (total governmental or total enterprise funds), *and*
- If the total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding element for all governmental and enterprise funds combined.

Additionally, any other governmental or enterprise fund that management believes is particularly significant to the basic financial statements may be reported as a major fund.

Internal service funds and fiduciary funds are reported by fund type.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation*Government-Wide Financial Statements*

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when the liabilities are incurred. Real estate and personal property taxes are recognized as revenues in the fiscal year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of activities demonstrates the degree to which the direct expenses of a particular function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include the following:

- Charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment.
- Grants and contributions that are restricted to meeting the operational requirements of a particular function or segment.
- Grants and contributions that are restricted to meeting the capital requirements of a particular function or segment.

Taxes and other items not identifiable as program revenues are reported as general revenues.

For the most part, the effect of interfund activity has been removed from the government-wide financial statements. Exceptions are charges between the governmental funds and proprietary funds. Elimination of these charges would distort the direct costs and program revenues reported for the functions affected.

Fund Financial Statements

Governmental fund financial statements are reported using the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences, claims and judgments which are recognized when the obligations are expected to be liquidated with current expendable available resources.

Real estate and personal property tax revenues are considered available if they are collected within 60 days after fiscal year-end. Investment income is susceptible to accrual. Other receipts and tax revenues become measurable and available when the cash is received and are recognized as revenue at that time.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the “susceptible to accrual criteria” is met. Expenditure driven grants recognize revenue when the qualifying expenditures are incurred and all other grant requirements are met.

The following major governmental funds are reported:

The *general fund* is the primary operating fund. It is used to account for all financial resources, except those that are required to be accounted for in another fund.

The *capital projects fund* is used to account for financial resources used for the acquisition of major capital assets except those financed entirely by the general or the proprietary funds.

The nonmajor governmental funds consist of other special revenue and permanent funds that are aggregated and presented in the *nonmajor governmental funds* column on the governmental funds financial statements. The following describes the general use of these fund types:

The *special revenue fund* is used to provide separate accountability for revenues that are restricted to expenditures for specified purposes (other than major capital projects). The special revenue funds are reported in the nonmajor funds column of the governmental fund financial statements.

The *permanent fund* is used to account for financial resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the governmental programs. The permanent funds are also reported in the nonmajor funds column of the governmental funds financial statements.

Proprietary fund financial statements are reported using the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when the liabilities are incurred.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary funds principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The following major proprietary funds are reported:

The *electric fund* is used to account for operations of the municipal light department that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

The *water fund* is used to account for water distribution operations of the department of public works that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges.

The *sewer fund* is used to account for sewage treatment operations of the department of public works that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges.

Additionally, the following proprietary fund type is reported:

The *internal service fund* is used to account for the financing of goods or services provided by one department to other departments of the town on a cost-reimbursement basis. The Town's internal service fund is used to account for the financing of medical claims of all covered town employees and their covered dependents, the financing of the self-insured workers' compensation plan, information technology services, fleet maintenance and fuel.

Fiduciary fund financial statements are reported using the flow of economic resources measurement focus and use the accrual basis of accounting. Fiduciary funds are used to account for assets held in a trustee capacity for others that cannot be used to support the governmental programs.

The following fiduciary fund types are reported:

The *pension trust fund* is used to account for the activities of the System, which accumulates resources to provide pension benefits to eligible retirees and their beneficiaries.

The *private-purpose trust fund* is used to account for trust arrangements that exclusively benefit individuals, private organizations, or other governments. Some of these trust funds have donor restrictions and trustee policies that do not allow the endowment portion and any unrealized appreciation to be spent. The restrictions and trustee policies only allows the trustees to approve spending of the realized investment earnings. The Town's educational scholarships are accounted for in this fund.

The *agency fund* is used to account for payroll withholding and other assets held in a purely custodial capacity. Agency funds apply the accrual basis of accounting but do not have a measurement focus.

Government-Wide and Fund Financial Statements

For the government-wide financial statements, and proprietary and fiduciary fund accounting, all applicable Financial Accounting Standards Board (FASB) pronouncements issued on or prior to November 30, 1989, are applied, unless those pronouncements conflict with or contradict GASB pronouncements.

D. Cash and Investments*Government-Wide and Fund Financial Statements*

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with an original maturity of three months or less from the date of acquisition.

Investments are carried at fair value. The fair values were determined by the closing price for those securities traded on national stock exchanges and at the average bid-and-asked quotation for those securities traded in the over-the-counter market.

E. Accounts Receivable*Government-Wide and Fund Financial Statements*

The recognition of revenue related to accounts receivable reported in the government-wide financial statements and the proprietary funds and fiduciary funds financial statements are reported under the accrual basis of accounting. The recognition of revenue related to accounts receivable reported in the governmental funds financial statements are reported under the modified accrual basis of accounting.

Real Estate, Personal Property Taxes and Tax Liens

Real estate and personal property taxes are levied and based on values assessed on January 1st of every year. Assessed values are established by the Board of Assessor's for 100% of the estimated fair market value. Taxes are due on August 1st, November 1st, February 1st and May 1st and are subject to penalties and interest if they are not paid by the respective due date. Real estate and personal property taxes levied are recorded as receivables in the fiscal year of the levy.

Real estate tax liens are processed six months after the close of the valuation year on delinquent properties and are recorded as receivables in the fiscal year they are processed.

Real estate receivables are secured via the tax lien process and are considered 100% collectible. Accordingly, an allowance for uncollectibles is not reported.

Personal property taxes cannot be secured through the lien process. The allowance of uncollectibles is estimated based on historical trends and specific account analysis.

Motor Vehicle Excise

Motor vehicle excise taxes are assessed annually for each vehicle registered and are recorded as receivables in the fiscal year of the levy. The Commonwealth is responsible for reporting the number of vehicles registered and the fair values of those vehicles. The tax calculation is the fair value of the vehicle multiplied by \$25 per \$1,000 of value.

The allowance for uncollectibles is estimated based on historical trends and specific account analysis.

User Charges

User fees are levied monthly based on individual meter readings and are subject to penalties and interest if they are not paid by the respective due date. Liens are processed in December of every year and included as a lien on the property owner's tax bill.

Since the receivables are secured via the lien process, these accounts are considered 100% collectible and therefore do not report an allowance for uncollectibles.

Departmental and Other

Departmental and other receivables are recorded net of an allowance for uncollectible accounts. The allowance of uncollectibles is estimated based on historical trends and specific account analysis.

Intergovernmental

Various Federal and state grants for operating and capital purposes are applied for and received annually. For non-expenditure driven grants, receivables are recorded as soon as all eligibility requirements imposed by the provider have been met. For expenditure driven grants, receivables are recorded when the qualifying expenditures are incurred and all other grant requirements are met.

These receivables are considered 100% collectible and therefore do not report an allowance for uncollectibles.

F. Inventories

Government-Wide and Fund Financial Statements

Inventories are recorded as expenditures at the time of purchase. Such inventories are not material in total to the government-wide and fund financial statements, and therefore are not reported.

Materials and supplies held by the Enterprise Funds are generally recorded at the lower of cost or market, using the weighted average method.

G. Capital Assets

Government-Wide and Proprietary Fund Financial Statements

Capital assets, which include land, land improvements, buildings, machinery and equipment, and infrastructure (e.g., roads, street lights, sewer mains, and similar items), are reported in the applicable governmental or business-type activity column of the government-wide financial statements. Capital assets are recorded at historical cost or at estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at the estimated fair market value at the date of donation. Except for the capital assets of the governmental activities column in the government-wide financial statements, construction period interest is capitalized on constructed capital assets.

For the Town of Wellesley capital assets are defined as buildings and infrastructure with a cost greater than \$100,000, improvements other than buildings with a cost greater than \$50,000, and equipment with a cost greater than \$25,000 and an estimated useful life of greater than five years. The Town has elected not to consider books and other materials purchased for the library as capital assets.

As allowed by GASB Statement #34, the Town has elected to delay the retroactive reporting of all major general governmental infrastructure assets that were acquired prior to the implementation of GASB Statement #34. Consequently, infrastructure assets that were acquired, or significantly reconstructed or improved prior to fiscal year 2003 are not included in these financial statements. The Town expects to be in full compliance by June 30, 2007.

Capital assets (excluding land and construction-in-progress) are depreciated over the estimated useful lives using the straight-line method. The estimated useful lives of capital assets being depreciated are as follows:

<u>Capital Asset Type</u>	<u>Estimated Useful Life (in years)</u>
Public domain infrastructure.....	50
Buildings.....	10-40
Improvements other than buildings.....	20-30
Equipment.....	5-21

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized and are treated as expenses when incurred. Improvements are capitalized.

Governmental Fund Financial Statements

Capital asset costs are recorded as expenditures in the acquiring fund in the fiscal year of the purchase.

H. Interfund Receivables and Payables

During the course of its operations, transactions occur between and within individual funds that may result in amounts owed between funds.

Government-Wide Financial Statements

Transactions of a buyer/seller nature between and within governmental funds and internal service funds are eliminated from the governmental activities in the statement of net assets. Any residual balances outstanding between the governmental activities and business-type activities are reported in the statement of net assets as "internal balances".

Fund Financial Statements

Transactions of a buyer/seller nature between and within funds are *not* eliminated from the individual fund statements. Receivables and payables resulting from these transactions are classified as "Due from other funds" or "Advances from and due to other funds" on the balance sheet.

I. Interfund Transfers

During the course of its operations, resources are permanently reallocated between and within funds. These transactions are reported as transfers in and transfers out.

Government-Wide Financial Statements

Transfers between and within governmental funds and internal service funds are eliminated from the governmental activities in the statement of net assets. Any residual balances outstanding between the governmental activities and business-type activities are reported in the statement of activities as "Transfers, net".

Fund Financial Statements

Transfers between and within funds are *not* eliminated from the individual fund statements and are reported as transfers in and transfers out.

J. Deferred Revenue

Deferred revenue at the governmental fund financial statement level represents billed receivables that do not meet the available criterion in accordance with the current financial resources measurement focus and the modified accrual basis of accounting. Deferred revenue is recognized as revenue in the conversion to the government-wide (full accrual) financial statements.

K. Net Assets and Fund Equity

Government-Wide Financial Statements (Net Assets)

Net assets are reported as restricted when amounts that are not available for appropriation or are legally restricted by outside parties for a specific future use.

Net assets have been "restricted for" the following:

"Permanent funds - expendable" represents the amount of realized and unrealized investment earnings of donor restricted trusts. The restrictions and trustee policies only allows the trustees to approve spending of the realized investment earnings.

"Permanent funds - nonexpendable" represents the endowment portion of donor restricted trusts.

"Grants and gifts" represents amounts held for school grants, highway and other grants, and gift funds.

"Community preservation" represents amounts held for uses restricted by law for community preservation purposes.

Fund Financial Statements (Fund Balances)

Fund balances are reserved for amounts that are not available for appropriation or are legally restricted by outside parties for a specific future use. Designations of fund balances represent tentative management plans that are subject to change.

Fund balances have been “reserved for” the following:

“Encumbrances and continuing appropriations” represents amounts obligated under purchase orders, contracts and other commitments for expenditures that are being carried over to the ensuing fiscal year.

“Perpetual permanent funds” represents amounts held in trust for which only investment earnings may be expended.

L. Long-term debt

Government-Wide and Proprietary Fund Financial Statements

Long-term debt is reported as liabilities in the government-wide and proprietary fund statement of net assets. Material bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

Governmental Fund Financial Statements

The face amount of governmental funds long-term debt is reported as other financing sources. Bond premiums and discounts, as well as issuance costs, are recognized in the current period. Bond premiums are reported as other financing sources and bond discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual bond proceeds received, are reported as general government expenditures.

M. Compensated Absences

Employees are granted vacation and sick leave in varying amounts based on collective bargaining agreements, state laws and executive policies.

Government-Wide and Proprietary Fund Financial Statements

Vested or accumulated vacation and sick leave are reported as liabilities and expensed as incurred.

Governmental Fund Financial Statements

Vested or accumulated vacation and sick leave, which will be liquidated with expendable available financial resources, are reported as expenditures and fund liabilities upon maturity of the liability.

N. Investment Income

Excluding the permanent funds, investment income derived from major and nonmajor governmental funds is legally assigned to the general fund unless otherwise directed by Massachusetts General Law (MGL).

Investment income from proprietary funds is voluntarily assigned and transferred to the general fund.

O. Post Retirement Benefits

Government-Wide and Fund Financial Statements

In addition to providing pension benefits, health insurance coverage is provided for retired employees and their survivors in accordance with MGL, Chapter 32, on a pay-as-you-go basis. The cost of providing health insurance

is recognized by recording the employer's share of insurance premiums in the general fund in the fiscal year paid. For the fiscal year ended June 30, 2006, this expense/expenditure totaled approximately \$3,045,000. There were 755 participants eligible to receive benefits at June 30, 2006.

P. Use of Estimates

Government-Wide and Fund Financial Statements

The preparation of basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure for contingent assets and liabilities at the date of the basic financial statements and the reported amounts of the revenues and expenditures/expenses during the fiscal year. Actual results could vary from estimates that were used.

Q. Total Column

Government-Wide Financial Statements

The total column presented on the government-wide financial statements represents consolidated financial information.

Fund Financial Statements

The total column on the fund financial statements is presented only to facilitate financial analysis. Data in this column is not the equivalent of consolidated financial information.

NOTE 2 – CASH AND INVESTMENTS

A cash and investment pool is maintained that is available for use by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Cash and cash equivalents". The deposits and investments of the trust funds are held separately from those of other funds.

Statutes authorize the investment in obligations of the U. S. Treasury, agencies, and instrumentalities, certificates of deposit, repurchase agreements, money market accounts, bank deposits and the State Treasurer's Investment Pool (the Pool). The Treasurer may also invest trust funds in securities, other than mortgages or collateral loans, which are legal for the investment of funds of savings banks under the laws of the Commonwealth. The Town Treasurer is responsible for adhering to these statutes, and at June 30, 2006 the Town is in compliance with these requirements.

The Pool meets the criteria of an external investment pool. The Pool is administered by the Massachusetts Municipal Depository Trust (MMDT), which was established by the Treasurer of the Commonwealth who serves as Trustee. The fair value of the position in the Pool is the same as the value of the Pool shares.

Custodial Credit Risk

In the case of deposits, this is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. The Town does not have a deposit policy for custodial credit risk.

At fiscal year-end the carrying amount (book value) of the Town's deposits totaled \$26,719,803 and the bank balances totaled \$28,152,734. Of the bank balance, \$933,877 was covered by Federal Depository Insurance, and \$27,218,857 was exposed to custodial credit risk because it was uninsured and uncollateralized.

At December 31, 2005 the carrying amount (book value) of the Retirement System's deposits totaled \$834,288 and the bank balance totaled \$1,062,662. The bank balance was fully covered by Federal Depository Insurance. As of June 30, 2006 the Town had the following investments:

Investment Type	Fair Value	Maturity				Rating
		Under 1 Year	1 - 5 Years	5-10 Years	6-10 Years	
<u>Debt Securities</u>						
Government Sponsored Enterprises.....	\$ 16,086,875	\$ 14,434,817	\$ 1,652,058	\$ -	\$ -	AAA
U.S. Treasury Notes.....	694,113	501,141	98,980	93,992	-	AAA
Municipal Bond.....	<u>1,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,000,000</u>	AAA
Total Debt Securities.....	17,780,988	<u>\$ 14,935,958</u>	<u>\$ 1,751,038</u>	<u>\$ 93,992</u>	<u>\$ 1,000,000</u>	
<u>Other Investments</u>						
Equity Securities.....	3,306,286					
Money Market Mutual Funds.....	248,681					
MMDT.....	<u>14,208,347</u>					
Total Investments.....	<u>\$ 35,544,302</u>					

As of December 31, 2005 the Retirement System had the following investments:

Investment Type	Fair Value	Maturity					Rating	
		Under 1 Year	1 - 5 Years	5-10 Years	10-15 Years	Over 15 Years		
<u>Debt Securities</u>								
Fixed Income Mutual Fund*.....	\$ 1,097,887	\$ -	\$ -	\$ -	\$ 1,097,887	\$ -	BB-BBB	
Government Sponsored Enterprise's.....	8,091,385	-	94,433	458,323	1,007,434	6,531,195	AAA	
U.S. Treasury Notes.....	5,671,471	-	2,332,366	1,244,805	-	2,094,300	AAA	
State, County and Municipal Bonds.....	171,759	-	-	-	-	171,759	AAA	
State, County and Municipal Bonds.....	288,170	-	-	-	-	288,170	BAA	
144A Debt.....	170,440	-	54,097	-	-	116,343	Not Rated	
144A Debt.....	268,969	-	68,950	-	-	200,019	A	
144A Debt.....	815,009	-	187,933	264,267	82,468	280,341	BAA	
144A Debt.....	134,375	-	134,375	-	-	-	BA	
Asset Backed Obligations.....	206,239	-	-	-	-	206,239	Not Rated	
Asset Backed Obligations.....	154,440	-	-	-	-	154,440	A	
Asset Backed Obligations.....	320,577	-	79,175	-	119,600	121,802	AA	
Asset Backed Obligations.....	467,451	-	-	-	38,900	428,551	AAA	
Asset Backed Obligations.....	295,089	-	295,089	-	-	-	BAA	
Corporate Bonds.....	3,944,229	105,060	2,023,142	1,143,189	155,454	517,384	BAA	
Corporate Bonds.....	948,519	337,412	301,412	276,270	-	33,425	BA	
Corporate Bonds.....	187,150	-	-	187,150	-	-	B	
Corporate Bonds.....	105,538	-	-	-	-	105,538	AA	
Corporate Bonds.....	1,018,055	234,576	275,457	444,227	-	63,795	A	
Non-Governmental Mortgage Obligations.....	1,088,575	-	-	-	-	1,088,575	AAA	
Non-Governmental Mortgage Obligations.....	130,715	-	-	-	-	130,715	Not Rated	
Non-Governmental Mortgage Obligations.....	57,647	-	-	-	-	57,647	BAA	
Non-Governmental Mortgage Obligations.....	69,740	-	-	-	-	69,740	A	
Non-Governmental Mortgage Obligations.....	104,631	-	103,404	-	-	1,227	AA	
Other Assets.....	701,407	-	-	701,407	-	-	Not Rated	
Total Debt Securities.....	26,509,467	\$ 677,048	\$ 5,949,833	\$ 4,719,638	\$ 2,501,743	\$ 12,661,205		
<u>Other Investments</u>								
Equity Securities.....	49,870,773							
Equity Mutual Funds.....	55,524,873							
PRIT Core Real Estate Fund.....	226,612							
PRIT Funds.....	283,362							
Total Investments.....	\$ 132,415,087							

*Average maturity of underlying investments in 12.72 years.

Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of a failure by the counterparty, the Town will not be able to recover the value of its investments or collateral security that are in the possession of an outside party.

Of the Town's total investments of \$35,568,667 there was custodial credit risk exposure of \$20,417,526 which is equal to the investments in Government Sponsored Enterprise's in the amount of \$16,086,875, Municipal Bonds in the amount of \$1,000,000 and \$3,330,651 in equity securities because the related securities are uninsured, unregistered and held by the counterparty.

The Town does not have an investment policy for custodial credit risk.

The Retirement System's investments are not subject to custodial credit risk as all of the securities are insured or registered, and held by its agents in the name of the Wellesley Contributory Retirement System.

Interest Rate Risk

The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

The System's policy states that the average duration of the managed portfolio shall not be more than 75% to 125% of the representative benchmark. The representative benchmarks are defined as follows:

<u>Investment Class</u>	<u>Benchmark</u>
Large Cap Growth Equity	Russell 1000 Growth
Large Cap Index Equity	S & P 500
Large Cap Core Equity	S & P 500
Large Cap Value Equity	Russell 1000 Value
Small Cap Equity	Russell 2000
International Equity	MSCI EAFE
Fixed Income	Lehman Brothers Aggregate Index
Alternatives-Private Equity	S & P 500

Credit Risk

The Town has not adopted a formal policy related to Credit Risk.

The Retirement System has a policy that states that assets of the plan shall be invested to ensure that principal is preserved and enhanced, both in real and nominal terms. The policy states that up to 47% of the System's assets can be invested in domestic equities, up to 15% in international equities, up to 35% in fixed income and 3% in alternative investments. Additionally, no more than 20% of fixed income assets may be invested in below investment grade securities. Rated cash and cash equivalent securities must be of the highest short-term rating category by a majority of the nationally recognized statistical rating organizations.

Concentration of Credit Risk

The Town does not have a formal policy that limits the amount the Town may invest in any one issuer.

The System's policy states that the concentration per equity issuer cannot exceed 5% and concentration per fixed income issuer cannot exceed 10% of the portfolio market value at the time of purchase. Investments in United States Treasuries, United States Agencies and cash or cash-equivalents are exempt from this policy. In addition, with the exception of United States Treasuries or United States Agencies, any investment may not represent more than 5% of the outstanding shares of any single issuer. For securities that comprise more than 5% of the benchmark, the portfolio may hold up to 1.5 times the benchmark weight, at market, provided that there has been prior approval from the Board.

Investments in 144A debt and other private placement issues are limited to 15% of the fixed income portfolio market value.

Foreign Currency Risk

The System's exposure to foreign currency risk is limited to 15% of the System's total assets. Equity, equity mutual funds and fixed income investments in emerging markets are permitted up to 10% of the total fixed income portfolio value.

NOTE 3 – RECEIVABLES

At June 30, 2006, receivables for the individual major and non-major governmental funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Real estate, personal property and tax deferrals	\$ 2,721,313	\$ (139,766)	\$ 2,581,547
Tax liens.....	308,112	-	308,112
Motor vehicle excise taxes.....	535,820	(340,145)	195,675
Departmental and other.....	103,840	-	103,840
Intergovernmental.....	9,902,473	-	9,902,473
Total.....	<u>\$ 13,571,558</u>	<u>\$ (479,911)</u>	<u>\$ 13,091,647</u>

At June 30, 2006, receivables for the sewer, water, and electric enterprise funds consist of the following:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Sewer fees.....	\$ 436,049	\$ -	\$ 436,049
Water fees.....	455,324	-	455,324
Electric light fees.....	2,082,800	-	2,082,800
Total.....	<u>\$ 2,974,173</u>	<u>\$ -</u>	<u>\$ 2,974,173</u>

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At the end of the current fiscal year, the various components of *deferred revenue* reported in the governmental funds were as follows:

	General Fund	Other Governmental Funds	Total
<u>Receivable type:</u>			
Real estate and personal property taxes.....	\$ 2,166,536	\$ -	\$ 2,166,536
Tax liens.....	308,112	-	308,112
Motor vehicle excise.....	195,675	-	195,675
Departmental and other.....	49,777	54,063	103,840
Intergovernmental.....	7,205,975	1,854,939	9,060,914
Total.....	<u>\$ 9,926,075</u>	<u>\$ 1,909,002</u>	<u>\$ 11,835,077</u>

NOTE 4 – CAPITAL ASSETS

A summary of changes in capital asset activity for the fiscal year ended June 30, 2006, is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 3,658,656	\$ -	\$ -	\$ 3,658,656
Construction in progress.....	5,358,446	12,850,226	(1,209,951)	16,998,721
Total capital assets not being depreciated.....	9,017,102	12,850,226	(1,209,951)	20,657,377
<u>Capital assets being depreciated:</u>				
Improvements other than buildings.....	1,111,301	45,744	-	1,157,045
Buildings.....	96,747,975	3,249,757	-	99,997,732
Machinery and equipment.....	8,076,756	1,196,362	-	9,273,118
Public domain infrastructure.....	3,308,796	2,775,263	-	6,084,059
Total capital assets being depreciated.....	109,244,828	7,267,126	-	116,511,954
<u>Less accumulated depreciation for:</u>				
Improvements other than buildings.....	(262,424)	(45,930)	-	(308,354)
Buildings.....	(29,900,607)	(2,497,062)	-	(32,397,669)
Machinery and equipment.....	(4,103,048)	(843,900)	-	(4,946,948)
Public domain infrastructure.....	(111,881)	(168,239)	-	(280,120)
Total accumulated depreciation.....	(34,377,960)	(3,555,131)	-	(37,933,091)
Total capital assets being depreciated, net.....	74,866,868	3,711,995	-	78,578,863
Total governmental activities capital assets, net..	\$ 83,883,970	\$ 16,562,221	\$ (1,209,951)	\$ 99,236,240

Business-Type Activities

	Beginning Balance	Increases	Decreases	Ending Balance
Business Type Activities:				
<u>Capital assets not being depreciated:</u>				
Land and land rights.....	\$ 267,946	\$ -	\$ -	\$ 267,946
Construction in progress.....	1,411,536	597,188	(1,161,381)	847,343
Total capital assets not being depreciated.....	1,679,482	597,188	(1,161,381)	1,115,289
<u>Capital assets being depreciated:</u>				
Plant in service.....	90,374,504	\$ 8,327,452	(1,213,382)	97,488,574
Vehicles and other equipment.....	4,956,333	68,293	(629,192)	4,395,434
Total capital assets being depreciated.....	95,330,837	8,395,745	(1,842,574)	101,884,008
<u>Less accumulated depreciation for:</u>				
Plant in service.....	(35,702,988)	(2,413,070)	936,195	(37,179,863)
Vehicles and other equipment.....	(2,736,222)	(359,464)	588,241	(2,507,445)
Total accumulated depreciation.....	(38,439,210)	(2,772,534)	1,524,436	(39,687,308)
Total capital assets being depreciated, net.....	56,891,627	5,623,211	(318,138)	62,196,700
Total business-type activities capital assets, net..	\$ 58,571,109	\$ 6,220,399	\$ (1,479,519)	\$ 63,311,989

Depreciation expense was charged to functions/programs of the Town as follows:

Governmental Activities:

General government.....	\$ 353,295
Public safety.....	265,915
Education.....	1,596,246
Public works.....	720,918
Library.....	372,653
Recreation.....	246,104
Total depreciation expense - governmental activities.....	\$ 3,555,131

Business-Type Activities:

Sewer.....	\$ 283,080
Water.....	808,516
Electric light.....	1,680,938
Total depreciation expense - business-type activities.....	\$ 2,772,534

NOTE 5 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Inter-fund receivables and payables between funds at June 30, 2006, are summarized as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Capital Projects Fund	Sewer	\$ 150,350 (1)
Capital Projects Fund	Water	150,350 (1)
Capital Projects Fund	Electric Department	183,000 (1)
Revolving Fund	Highway Fund	220,393 (2)
Grants Fund	Receipts Reserved	156,745 (2)
		<u>\$ 860,838</u>

(1) Represents advances from the Sewer, Water, and Electric Department funds to the capital project fund for a building study.

(2) Represents advances between funds to meet temporary cash flow needs.

Interfund transfers for the fiscal year ended June 30, 2006, are summarized as follows:

<u>Transfers Out:</u>	<u>Transfers In:</u>			
	<u>General Fund</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
General Fund.....	\$ -	\$ 122,800	\$ 743,603	\$ 866,403 (1)
Nonmajor Governmental Funds.....	281,225	-	-	281,225 (2)
Water Enterprise Fund.....	88,000	-	-	88,000 (3)
Sewer Enterprise Fund.....	37,000	-	-	37,000 (3)
Electric Light Department.....	1,000,000	-	-	1,000,000 (3)
Total.....	<u>\$ 1,406,225</u>	<u>\$ 122,800</u>	<u>\$ 743,603</u>	<u>\$ 2,272,628</u>

(1) Represents budgeted transfers from the General Fund to the Unemployment Fund in the amount of \$100,000, the Stabilization Fund in the amount of \$500,000, and to the Traffic and Parking Fund in the amount of \$143,603. In addition, the General Fund transferred \$122,800 to the Capital Project Fund for various school capital needs.

(2) Represents budgeted transfers from Traffic and Parking Fund and from the Stabilization Fund.

(3) Transfers in from the enterprise funds as a payment in lieu of taxes.

NOTE 6 – SHORT-TERM FINANCING

Short-term debt may be authorized and issued to fund the following:

- Current operating costs prior to the collection of revenues through issuance of revenue or tax anticipation notes (RANS or TANS).
- Capital project costs and other approved expenditures incurred prior to obtaining permanent financing through issuance of bond anticipation notes (BANS) or grant anticipation notes (GANS).

Short-term loans are general obligations and carry maturity dates that are limited by statute. Interest expenditures and expenses for short-term borrowings are accounted for in the general fund.

Details related to the short-term debt activity for the fiscal year ended June 30, 2006, is as follows:

Type	Purpose	Rate (%)	Due Date	Balance at June 30, 2005	Renewed/ Issued	Retired/ Redeemed	Balance at June 30, 2006
BAN	School/Planning Renovation	3.75	08/15/05	\$ 2,792,974	\$ -	\$ 2,792,974	\$ -
BAN	Road Improvements.....	3.375	08/15/05	1,897,500	-	1,897,500	-
BAN	School/Planning Renovation	3.88	07/13/06	-	697,000	-	697,000 (1)
BAN	School/Planning Renovation	4.25	06/21/07	-	10,470,000	-	10,470,000
Total.....				\$ <u>4,690,474</u>	\$ <u>11,167,000</u>	\$ <u>4,690,474</u>	\$ <u>11,167,000</u>

(1) This BAN was paid off on the scheduled due date subsequent to year end.

NOTE 7 – LONG-TERM DEBT

Under the provisions of Chapter 44, Section 10, Municipal Law authorizes indebtedness up to a limit of 5% of the equalized valuation. Debt issued in accordance with this section of the law is designated as being "inside the debt limit". In addition, however, debt may be authorized in excess of that limit for specific purposes. Such debt, when issued, is designated as being "outside the debt limit".

Details related to the outstanding indebtedness at June 30, 2006, and the debt service requirements are as follows:

Project	Date of Issue	Interest Rate (%)	Outstanding at June 30, 2005	Issued	Redeemed	Outstanding at June 30, 2006
Storm Drain Improvements.....	1996	4.20 - 5.90	\$ 29,000	\$ -	\$ 29,000	\$ -
Solid Waste Improvements.....	1996	4.20 - 5.90	346,000	-	346,000	-
Street Improvements.....	2001	4.0 - 4.75	360,000	-	180,000	180,000
Street/Sidewalk Amenities.....	2001	4.0 - 4.75	390,000	-	130,000	260,000
Land Acquisition.....	2001	4.0 - 4.75	80,000	-	80,000	-
Sprague School Renovation.....	2001	4.0 - 4.75	13,095,000	-	675,000	12,420,000
Bates School Renovation.....	2003	2.0 - 3.0	4,400,000	-	550,000	3,850,000
Pond Restoration.....	2004	2.50 - 5.0	85,000	-	30,000	55,000
Barton Road Improvements.....	2004	2.50 - 5.0	120,000	-	60,000	60,000
Street Improvements.....	2004	2.50 - 5.0	110,000	-	55,000	55,000
Fields & Bleachers.....	2004	2.50 - 5.0	85,000	-	15,000	70,000
New Library.....	2004	2.50 - 5.0	6,845,000	-	465,000	6,380,000
Warren Building Design.....	2004	2.50 - 5.0	170,000	-	20,000	150,000
Glen Road Sidewalk.....	2004	2.50 - 5.0	15,000	-	15,000	-
Hunnewell Field/Courts.....	2004	2.50 - 5.0	260,000	-	30,000	230,000
Streets.....	2004	2.50 - 5.0	60,000	-	60,000	-
Middle School Plans.....	2004	2.50 - 5.0	240,000	-	120,000	120,000
Warren Renovation.....	2004	2.50 - 5.0	6,420,000	-	380,000	6,040,000
Middle School.....	2005	3.25 - 4.125	9,000,000	-	450,000	8,550,000
Middle School.....	2005	3.25 - 4.125	2,285,000	-	125,000	2,160,000
Modular Classrooms.....	2005	3.25 - 4.125	2,830,000	-	190,000	2,640,000
Roads.....	2005	3.25 - 4.125	1,150,000	-	115,000	1,035,000
High School Plans.....	2005	3.25 - 4.125	650,000	-	165,000	485,000
Fire Equipment.....	2005	3.25 - 4.125	540,000	-	75,000	465,000
Warren Building.....	2005	3.25 - 4.125	450,000	-	65,000	385,000
Traffic/Parking.....	2005	3.25 - 4.125	285,000	-	75,000	210,000
DPW Design.....	2005	3.25 - 4.125	100,000	-	20,000	80,000
Middle School Construction.....	2006	3.87 - 5.25	-	6,705,000	-	6,705,000
Bates Elementary School.....	2006	4.0 - 5.25	-	697,000	-	697,000
Modular Classrooms.....	2006	3.87 - 5.25	-	2,320,000	-	2,320,000
DPW Electric Repairs.....	2006	3.87 - 5.25	-	1,121,000	-	1,121,000
DPW Surface Drains.....	2006	3.87 - 5.25	-	333,000	-	333,000
High School Design.....	2006	4.0 - 5.25	-	175,000	-	175,000
Morses Pond Dock.....	2006	4.0 - 5.25	-	115,000	-	115,000
Total			<u>\$ 50,400,000</u>	<u>\$ 11,466,000</u>	<u>\$ 4,520,000</u>	<u>\$ 57,346,000</u>

Debt service requirements for principal and interest for Governmental bonds payable in future fiscal years are as follows:

<u>Fiscal Year</u>		<u>Principal</u>		<u>Interest</u>		<u>Total</u>
2007	\$	5,781,000	\$	2,254,934	\$	8,035,934
2008		5,570,000		2,046,656		7,616,656
2009		5,450,000		1,849,532		7,299,532
2010		5,450,000		1,648,180		7,098,180
2011		5,425,000		1,437,501		6,862,501
2012		4,585,000		1,224,139		5,809,139
2013		4,420,000		1,044,505		5,464,505
2014		3,885,000		867,705		4,752,705
2015		3,845,000		712,395		4,557,395
2016		3,450,000		549,350		3,999,350
2017		2,180,000		396,525		2,576,525
2018		795,000		297,825		1,092,825
2019		810,000		266,025		1,076,025
2020		825,000		233,625		1,058,625
2021		845,000		200,625		1,045,625
2022		860,000		166,825		1,026,825
2023		875,000		131,913		1,006,913
2024		895,000		95,850		990,850
2025		915,000		58,938		973,938
2026		485,000		20,613		505,613
Total	\$	<u>57,346,000</u>	\$	<u>15,503,660</u>	\$	<u>72,849,660</u>

The Town has been approved to receive school construction assistance through the Massachusetts School Building Authority (MSBA). The MSBA provides resources for eligible construction costs and related debt interest and borrowing costs. The Town was approved for grants equal to 57% of allowable costs, as defined, for the renovation/expansion projects of the Sprague Elementary School. The Sprague project is being reimbursed over a 12 year period that began in FY2005. The Town expects to receive, in future years, \$7.2 million from the MSBA for all school constructions costs incurred by the Town. Accordingly a \$7.2 million intergovernmental receivable and corresponding deferred revenue liability has been recorded in the General Fund.

The Town is subject to various debt limits by statute and may issue additional general obligation debt under the normal debt limit. At June 30, 2006, the Town had the following authorized and un-issued debt:

<u>Purpose</u>	<u>Amount</u>
Middle School Construction.....	\$ 10,470,000
Water.....	762,323
Water Meters.....	400,000
Town Hall Renovations.....	<u>90,000</u>
Total.....	<u>\$ 11,722,323</u>

Bonds and Notes Payable Schedule – Enterprise Funds

Project	Date of Issue	Interest Rate (%)	Outstanding at June 30, 2005	Issued	Redeemed	Outstanding at June 30, 2006
Water System Improvements....	1998	5.25	\$ 3,440,000	\$ -	\$ 430,000	\$ 3,010,000
MWRA Sewer Bond.....	2004	0	92,064	-	23,016	69,048
MWRA Sewer Bond.....	2005	0	162,890	-	32,578	130,312
MWRA Sewer Bond.....	2006	0	-	123,618	-	123,618
MWRA Water Bond.....	2006	0	-	516,957	-	516,957
Total.....			<u>\$ 3,694,954</u>	<u>\$ 640,575</u>	<u>\$ 485,594</u>	<u>\$ 3,849,935</u>

Debt service requirements for principal and interest for enterprise fund bonds and notes payable in future fiscal years are as follows:

Fiscal Year	Principal	Interest	Total
2007	\$ 562,014	\$ 140,395	\$ 702,409
2008	562,014	121,260	683,274
2009	562,014	101,910	663,924
2010	538,994	82,130	621,124
2011	506,420	61,920	568,340
2012	481,696	41,495	523,191
2013	481,696	20,855	502,551
2014	51,696	-	51,696
2015	51,696	-	51,696
2016	51,696	-	51,696
Total	<u>\$ 3,849,935</u>	<u>\$ 569,965</u>	<u>\$ 4,368,204</u>

The Massachusetts Water Resource Authority (MWRA) operates an Infiltration/Inflow Financial Assistance Program for community owned collection systems. For each community approved for the project, financial assistance received from the MWRA consists of a grant and non-interest bearing loan. In prior years \$254,954 of loans subject to repayment were received from this program. During fiscal year 2006, \$516,957 and \$181,497, respectively, were received from the program. Of the \$181,497, \$57,879 was in the form of a grant and \$123,618 was a loan. The new water and sewer MWRA loans are respectively payable in ten and five equal annual installments with no interest. At June 30, 2006, the outstanding principal amount of these loans totaled \$839,935.

Changes in Long-term Liabilities

During the fiscal year ended June 30, 2006, the following changes occurred in long-term liabilities:

	Balance June 30, 2005	Bonds and Notes Issued	Bonds and Notes Redeemed	Other Increases	Other Decreases	Balance June 30, 2006	Due Within One Year
Governmental Activities:							
Long-Term Bonds and Notes.....	\$ 50,400,000	\$ 11,466,000	\$ (4,520,000)	\$ -	\$ -	\$ 57,346,000	\$ 5,781,000
Workers' Compensation.....	744,000	-	-	258,000	(172,000)	830,000	249,000
Compensated Absences.....	707,000	-	-	108,104	(258,899)	556,205	109,943
Total Governmental Activities.....	51,851,000	11,466,000	(4,520,000)	366,104	(430,899)	58,732,205	6,139,943
Business Type Activities:							
Long-Term Bonds and Notes.....	3,694,954	640,575	(485,594)	-	-	3,849,935	562,014
Compensated Absences.....	48,955	-	-	29,017	(27,452)	50,520	26,785
Total Business Type Activities.....	3,743,909	640,575	(485,594)	29,017	(27,452)	3,900,455	588,799
Total.....	\$ 55,594,909	\$ 12,106,575	\$ (5,005,594)	\$ 395,121	\$ (458,351)	\$ 62,632,660	\$ 6,728,742

Internal service funds predominantly serve the governmental funds. Accordingly, the internal service fund's long-term liabilities are included as part of the governmental activities totals above. At fiscal year end, \$830,000 of internal service funds accrued workers compensation liability is included above. Except for the amounts related to the internal service funds, the governmental activities long-term liabilities are generally liquidated by the general fund. Compensated absence liabilities related to both governmental and business-type activities are normally paid from the funds reporting payroll and related expenditures, namely the general fund and the water and electric enterprise funds.

NOTE 8 – RISK FINANCING

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town has purchased commercial insurance for these risks, except for those risks identified in the following paragraphs, which the Town accounts for in its Internal Service Fund. The amount of claim settlements has not exceeded insurance coverage in any of the previous three fiscal years.

During 1991, the Town entered into an agreement with certain suburban communities and other governmental units forming the West Suburban Health Group (the "Group"). The purpose of the Group is for the joint negotiation and purchase of health coverage with an insurance carrier. Under these agreements, the insurance claims of the covered employees are paid for by the insurance carrier and are subsequently reimbursed by the Group. The Group charges monthly premiums to each governmental unit based upon requirements established through underwriting or actuarial estimates. The Group also maintains a deposit with the insurance carrier which is sufficient to cover two months of claims paid by the carrier for the Group. In addition, the Group provides full reinsurance coverage for all claim costs in excess of \$150,000 per covered employee.

In the event of a dissolution of the Group or if the assets of the Group are insufficient to pay claims which occur, the Town remains liable. As of June 30, 2006, the Group had a fund balance of approximately \$956,000. The Town's liability is not based on its participants' claims but on the pro rata share of any deficit based on the ratio of

the Town's members to total participants at the time of dissolution. At June 30, 2006, the Town's mandatory deposit, discussed above, is sufficient to cover the Town's projected liability as of that date.

The Town is self-insured for workers' compensation claims. An actuary, Tillinghast-Towers Perrin, was hired to estimate the losses which the Town would have to pay under the self-insured plan. The Town recorded a liability in its Internal Service Fund to reserve against future losses. This liability includes a provision for estimated claims incurred but not reported. In addition to these reserves, the Town retains insurance against claims in excess of \$250,000 per employee.

Changes in the Workers' Compensation Fund claims liability amount for the fiscal years ended June 30 were as follows:

	Balance at Beginning of Fiscal Year	Current Year Claims and Changes in Estimate	Claims Payments	Balance at Fiscal Year-End	Current Portion
Fiscal Year 2005.....	\$ 711,000	\$ 227,550	\$ (194,550)	\$ 744,000	\$ 223,000
Fiscal Year 2006.....	744,000	372,572	(286,572)	830,000	249,000

NOTE 9 – CONTRIBUTORY RETIREMENT SYSTEM

Plan Description - The Town contributes to the System, a cost-sharing multiple-employer defined benefit pension plan administered by the Wellesley Contributory Retirement Board. Substantially all employees are members of the System, except for public school teachers and certain administrators who are members of the Massachusetts Teachers Retirement System, to which the Town does not contribute. Pension benefits and administrative expenses paid by the Teachers Retirement Board are the legal responsibility of the Commonwealth. The amount of these on-behalf payments totaled approximately \$7.6 million for the fiscal year ended June 30, 2006, and, accordingly, are reported in the general fund as intergovernmental revenues and pension expenditures.

The System provides retirement, disability and death benefits to plan members and beneficiaries. Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the plan. Cost-of-living adjustments granted between 1981 and 1997 and any increase in other benefits imposed by the Commonwealth's state law during those years are borne by the Commonwealth and are deposited into the pension fund. Cost-of-living adjustments granted after 1997 must be approved by the Wellesley Contributory Retirement Board and are borne by the System.

At December 31, 2005, the System's membership consists of the following:

Active members.....	636
Inactive members.....	129
Disabled members.....	15
Retirees and beneficiaries currently receiving benefits.....	<u>415</u>
Total.....	<u>1,195</u>

Funding Policy - Plan members are required to contribute to the System at rates ranging from 5% to 11% of annual covered compensation. The Town is required to pay into the System its share of the system-wide actuarial determined contribution that is apportioned among the employers based on active current payroll. Administrative expenses are funded through investment earnings. The current and two preceding fiscal years

apportionment of the annual pension cost between the two employers did not require the Town to make an annual contribution to the System. Chapter 32 of the MGL governs the contributions of plan members and the Town.

Annual Pension Cost - The Town's contributions to the System for the last three fiscal years ended June 30, 2006, 2005, and 2004 were zero, respectively, which equaled its required contribution for each fiscal year. At June 30, 2006, the Town did not have a net pension obligation. The required contribution was determined as part of the January 1, 2006, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included a 7.0% investment rate of return and projected salary increases of 4.0% per year. The actuarial value of the System's assets was determined using techniques that smooth the short-term volatility in the market value of investments over a three year period.

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Entry Age (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
01/01/06	\$ 127,011,492	\$ 123,086,217	\$ (3,925,275)	103.2%	\$ 26,392,253	-14.9%
01/01/04	116,792,365	112,846,159	(3,946,206)	103.5%	23,172,848	-17.0%
01/01/03	119,033,662	114,811,026	(4,222,636)	103.7%	22,572,703	-18.7%
01/01/01	123,291,025	92,278,891	(31,012,134)	133.6%	21,561,329	-143.8%
01/01/99	106,295,893	81,975,372	(24,320,521)	129.7%	17,694,603	-137.4%
01/01/97	78,665,972	69,141,005	(9,524,967)	113.8%	17,800,326	-53.5%
01/01/95	62,744,371	62,680,623	(63,748)	100.1%	16,138,898	-0.4%

The UAAL amounts bracketed in the column above represents an over-funding of the actuarial accrued liability.

Noncontributory Retirement Allowance – The Town pays the entire retirement allowance for certain retirees who are available for benefits but are not members of the System. Benefits are paid by the Town on a pay-as-you-go basis. Total pension expense of this plan for the year ended June 30, 2006 was \$72,000.

NOTE 10 – COMMITMENTS

The Town's major capital projects have been related to school renovations and expansions, the construction of the new library, and the renovation of the Warren building. During fiscal year 2005 the library and the Warren projects were completed. Two projects involving expansion and renovations at the Sprague and Bates elementary schools have also been completed and the Town has recently committed to renovate the Middle school at a total cost approximating \$26.2 million.

In July of 2001, the Wellesley Municipal Light Plant (MLP) entered into a Power Supply Agreement with Constellation Power Source, Inc., of Baltimore, Maryland to acquire all of its electricity requirements. The agreement is defined as an "All Requirements Service" contract where all of its requirements mean "the quantity of electricity sufficient to meet the needs of MLP's ultimate customers for the Town of Wellesley". The term of the Agreement is from June 1, 2002 through September 30, 2007. Contract prices are fixed for the entire period of the agreement. The cost of power acquired under this agreement for the fiscal year ended June 30, 2006 was approximately \$11,413,000.

NOTE 11 - CONTINGENCIES

In February 2001, the EPA notified the Town that it, along with two other parties, had been named as a Potentially Responsible Party (PRP) with regard to an environmental matter involving property owned by the Town adjacent to and beneath Morses Pond. According to the EPA and the Massachusetts Department of Environmental Protection, contaminated fill material containing chromium and other metal was used as fill around a culvert beneath a railroad embankment adjacent to Morses Pond, and that contaminants from this fill came to be located on Town property beneath and adjacent to Morses Pond. Removal actions to correct this problem were completed in or about June 2003. The EPA has estimated the total cost of this project to date at \$3,800,000. In this matter, the EPA has noted its intention to pursue recovery of these costs from the PRP's. To date, no litigation has been commenced and no settlement negotiations have taken place with regard to this matter. The Town believes that it may have meritorious defenses to the EPA's claims but could face some potential liability in connection with this matter.

The Town participates in a number of Federal award programs. Although the grant programs have been audited in accordance with the provisions of the Single Audit Act Amendments of 1996 through June 30, 2006, these programs are still subject to financial and compliance audits. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although it is expected such amounts, if any, to be immaterial.

Various legal actions and claims are pending. Litigation is subject to many uncertainties, and the outcome of individual litigated matters is not always predictable. Although the amount of liability, if any, at June 30, 2006, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2006.

NOTE 12 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

During fiscal year 2006, the following GASB pronouncements were implemented:

The GASB issued Statement #42, Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries, which was required to be implemented in Fiscal 2006. This pronouncement has not impacted the basic financial statements.

The GASB issued Statement # 46, Net Assets Restricted by Legislation an amendment of GASB Statement No. 34. This Statement clarifies that a legally enforceable enabling legislation restriction is one that a party external to a government—such as citizens, public interest groups, or the judiciary—can compel a government to honor. It requires governments to disclose the portion of total net assets that is restricted by enabling legislation. This statement was required to be implemented in FY2006. This statement has not effected the basic financial statements.

The GASB issued Statement # 47, Accounting for Termination Benefits. The Statement provides accounting and reporting guidance for state and local governments that offer benefits such as early retirement incentives or severance to employees that are involuntarily terminated. The Statement requires that similar forms of termination benefits be accounted for in the same manner and is intended to enhance both the consistency of reporting for termination benefits and the comparability of financial statements. This statement was required to be implemented in FY2006. This statement has not effected the basic financial statements.

The GASB issued Statement #48, Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues, which is required to be implemented in fiscal year 2008. Management has elected to implement this statement early. This statement has not effected the basic financial statements.

Other Future GASB Pronouncements:

The GASB issued Statement #43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, which is required to be implemented in fiscal year 2008. Since the Town has established a separate trust for the funding of postemployment benefits, management does not believe that this pronouncement will significantly impact the basic financial statements.

The GASB issued Statement #45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, which is required to be implemented in fiscal year 2009. Management believes this pronouncement will require additional disclosure and impact the basic financial statements.

Required Supplementary Information

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

FISCAL YEAR ENDED JUNE 30, 2006

	Budgeted Amounts				
	Original Budget	Final Budget	Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance to Final Budget
REVENUES:					
Real estate and personal property taxes, net of tax refunds.....	\$ 71,461,421	\$ 71,461,421	\$ 71,373,567	\$ -	\$ (87,854)
Tax liens.....	-	-	258,102	-	258,102
Motor vehicle and other excise taxes.....	3,972,500	3,972,500	4,128,004	-	155,504
Penalties and interest on taxes.....	135,000	135,000	182,638	-	47,638
Payments in lieu of taxes.....	481,000	481,000	346,877	-	(134,123)
Intergovernmental.....	5,550,767	5,550,767	5,269,079	-	(281,688)
Departmental and other.....	3,989,715	3,989,715	4,435,954	-	446,239
Investment income.....	675,000	675,000	1,526,215	-	851,215
Miscellaneous.....	-	-	12,928	-	12,928
TOTAL REVENUES.....	86,265,403	86,265,403	87,533,364	-	1,267,961
EXPENDITURES:					
General and Financial Maintenance Services:					
Personal Services.....	1,312,155	1,326,157	1,324,743	-	1,414
Expenses.....	654,690	670,690	620,147	27,940	22,603
Capital Outlay.....	46,064	46,064	4,378	41,686	-
	2,012,909	2,042,911	1,949,268	69,626	24,017
Human Services:					
Personal Services.....	186,801	194,243	188,052	-	6,191
Expenses.....	111,027	111,027	100,296	1,940	8,791
Benefits.....	4,500	4,500	3,824	-	676
	302,328	309,770	292,172	1,940	15,658
Public Safety and Protective Services.....					
Personal Services.....	7,956,214	7,967,892	7,834,870	-	133,022
Expenses.....	1,025,382	1,025,382	981,986	31,818	11,578
	8,981,596	8,993,274	8,816,856	31,818	144,600
Historical Commission.....	250	250	143	-	107
Historical District Commission.....	250	250	201	-	49
Zoning Board of Appeals:					
Personal Services.....	39,794	41,187	39,798	-	1,389
Expenses.....	7,790	7,790	4,867	-	2,923
	47,584	48,977	44,665	-	4,312
Advisory Committee:					
Personal Services.....	3,055	5,055	5,049	-	6
Expenses.....	19,000	22,000	21,707	-	293
	22,055	27,055	26,756	-	299
Auditing.....	62,000	62,000	48,550	13,450	-
Permanent Building Committee:					
Personal Services.....	4,189	5,288	5,288	-	-
Expenses.....	7,550	7,550	3,561	-	3,989
	11,739	12,838	8,849	-	3,989
Human Resources Board:					
Personal Services.....	331,732	229,053	213,746	-	15,307
Expenses.....	22,175	22,175	16,488	-	5,687
	353,907	251,228	230,234	-	20,994
Assessors:					
Personal Services.....	152,805	169,604	160,360	-	9,244
Expenses.....	162,185	152,185	88,983	14,490	48,712
	314,990	321,789	249,343	14,490	57,956
Board of Health:					
Personal Services.....	268,600	276,814	275,416	-	1,398
Expenses.....	74,684	74,684	65,412	1,752	7,520
Mental Health Services.....	157,808	157,808	151,195	-	6,613
	501,092	509,306	492,023	1,752	15,531
Natural Resources Commission:					
Personal Services.....	146,552	149,605	149,353	-	252
Expenses.....	357,203	357,203	161,613	193,385	2,205
	503,755	506,808	310,966	193,385	2,457
Planning Board:					
Personal Services.....	140,973	145,814	145,546	-	268
Expenses.....	94,523	94,523	53,852	35,776	4,895
	235,496	240,337	199,398	35,776	5,163

(Continued)

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

FISCAL YEAR ENDED JUNE 30, 2006

	Budgeted Amounts				
	Original Budget	Final Budget	Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance to Final Budget
Recreation Commission:					
Personal Services.....	253,334	259,650	259,650	-	-
Expenses.....	1,094,952	1,196,935	890,116	178,444	128,375
Teen Center Program.....	7,500	7,500	3,500	-	4,000
Capital Outlay.....	17,942	17,942	13,318	4,584	40
	<u>1,373,728</u>	<u>1,482,027</u>	<u>1,166,584</u>	<u>183,028</u>	<u>132,415</u>
Town Clerk/Election and Registration:					
Personal Services.....	218,301	219,555	200,070	-	19,485
Expenses.....	66,270	66,270	51,178	6,540	8,552
	<u>284,571</u>	<u>285,825</u>	<u>251,248</u>	<u>6,540</u>	<u>28,037</u>
Legal Services and Expenses.....	<u>284,770</u>	<u>284,770</u>	<u>218,176</u>	<u>8,500</u>	<u>58,094</u>
Reserve Fund.....	<u>175,000</u>	<u>128,000</u>	<u>-</u>	<u>-</u>	<u>128,000</u>
Risk Management.....	<u>386,138</u>	<u>386,138</u>	<u>311,982</u>	<u>50,000</u>	<u>24,156</u>
Employee Group Life and Health Insurance.....	<u>10,449,000</u>	<u>10,449,000</u>	<u>10,449,000</u>	<u>-</u>	<u>-</u>
Unemployment Compensation.....	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	<u>-</u>	<u>-</u>
Pensions and Annuities.....	<u>72,853</u>	<u>72,853</u>	<u>72,853</u>	<u>-</u>	<u>-</u>
Workers Compensation.....	<u>254,132</u>	<u>254,132</u>	<u>254,132</u>	<u>-</u>	<u>-</u>
Comprehensive Building Maintenance.....	<u>355,640</u>	<u>355,640</u>	<u>293,949</u>	<u>43,000</u>	<u>18,691</u>
Compensated Absences.....	<u>255,216</u>	<u>255,216</u>	<u>57,993</u>	<u>197,216</u>	<u>7</u>
Wellesley Free Library and branches thereof:					
Personal Services.....	1,580,467	1,587,473	1,586,303	1,170	-
Expenses.....	623,615	623,615	617,149	6,466	-
	<u>2,204,082</u>	<u>2,211,088</u>	<u>2,203,452</u>	<u>7,636</u>	<u>-</u>
Public works.....					
Personal Services.....	3,054,081	3,081,608	3,041,005	1,534	39,069
Expenses.....	2,283,320	2,319,073	2,240,975	29,135	48,963
Winter Maintenance.....	326,402	326,402	526,402	-	(200,000)
Capital Outlay.....	1,781,709	1,926,962	1,414,795	510,484	1,683
	<u>7,445,512</u>	<u>7,654,045</u>	<u>7,223,177</u>	<u>541,153</u>	<u>(110,285)</u>
Fire and Traffic Signal Systems.....	<u>89,438</u>	<u>121,472</u>	<u>119,856</u>	<u>-</u>	<u>1,616</u>
Education.....					
Personal Services.....	38,926,370	38,979,370	36,060,966	2,743,926	174,478
Expenses.....	7,674,227	8,404,879	7,999,482	92,342	313,055
	<u>46,600,597</u>	<u>47,384,249</u>	<u>44,060,448</u>	<u>2,836,268</u>	<u>487,533</u>
State and county charges.....	<u>932,492</u>	<u>932,492</u>	<u>932,492</u>	<u>-</u>	<u>-</u>
Debt service:					
Principal.....	4,520,000	4,520,000	4,520,000	-	-
Interest.....	2,069,411	2,069,411	1,938,444	24,193	106,774
	<u>6,589,411</u>	<u>6,589,411</u>	<u>6,458,444</u>	<u>24,193</u>	<u>106,774</u>
TOTAL EXPENDITURES.....	<u>91,202,531</u>	<u>92,273,151</u>	<u>86,843,210</u>	<u>4,259,771</u>	<u>1,170,170</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....	<u>(4,937,128)</u>	<u>(6,007,748)</u>	<u>690,154</u>	<u>(4,259,771)</u>	<u>2,438,131</u>
OTHER FINANCING SOURCES (USES):					
Premium from issuance of bonds.....	-	-	69,620	-	69,620
Transfers in.....	1,406,225	1,406,225	1,406,225	-	-
Transfers out.....	(866,403)	(866,403)	(866,403)	-	-
TOTAL OTHER FINANCING SOURCES (USES).....	<u>539,822</u>	<u>539,822</u>	<u>609,442</u>	<u>-</u>	<u>69,620</u>
NET CHANGE IN FUND BALANCE.....	<u>(4,397,306)</u>	<u>(5,467,926)</u>	<u>1,299,596</u>	<u>(4,259,771)</u>	<u>2,507,751</u>
BUDGETARY FUND BALANCE, Beginning of year.....	<u>8,521,945</u>	<u>8,521,945</u>	<u>8,521,945</u>	<u>-</u>	<u>-</u>
BUDGETARY FUND BALANCE, End of year.....	<u>\$ 4,124,639</u>	<u>\$ 3,054,019</u>	<u>\$ 9,821,541</u>	<u>\$ (4,259,771)</u>	<u>\$ 2,507,751</u>

See notes to required supplementary information.

(Concluded)

NOTE A – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**A. Budgetary Information**

Municipal Law requires the adoption of a balanced budget that is approved at the Annual Town Meeting. The Town has an advisory committee that submits reports on proposed appropriations at Town Meetings.

The appropriated budget is prepared by fund, function and department. Transfers of appropriations among departments require the approval of Town Meeting.

The majority of appropriations are non-continuing which lapse at the end of each fiscal year. Others are continuing appropriations for which the governing body has authorized that an unspent balance from a prior fiscal year be carried forward and made available for spending in the current fiscal year. These carry forwards are included as part of the subsequent fiscal year's original budget.

Generally, expenditures may not exceed the legal level of spending (salaries, expenses and capital) authorized for an appropriation account. However, the payment of debt service is statutorily required, regardless of whether such amounts are appropriated. Additionally, expenditures for disasters, natural or otherwise, and final judgments may exceed the level of spending authorized.

An annual budget is adopted for the general fund in conformity with the guidelines described above. The original fiscal year 2006 budget consists of approximately \$87.4 million in appropriations and other amounts to be raised and approximately \$4.7 million in amounts carried over from previous fiscal years. During fiscal year 2006, the original budget was increased for educational, public works and recreational activities in the amount of approximately \$1.1 million.

The Accounting Office has the responsibility to ensure that budgetary control is maintained. Budgetary control is exercised through the accounting system.

B. Budgetary - GAAP Reconciliation

For budgetary financial reporting purposes, the Uniform Municipal Accounting System basis of accounting (established by the Commonwealth) is followed, which differs from the GAAP basis of accounting. A reconciliation of budgetary-basis to GAAP-basis results for the general fund for the fiscal year ended June 30, 2006, is presented below:

Net change in fund balance, budgetary basis.....	\$	1,299,596
<u>Basis of accounting differences:</u>		
Net change in revenue accrual.....		(473,002)
Net change in expenditure accrual.....		402,033
Net change in tax refunds payable.....		20,624
Recognition of revenue for on-behalf payments.....		7,571,709
Recognition of expenditures for on-behalf payments.....		<u>(7,571,709)</u>
Net change in fund balance, GAAP basis.....	\$	<u><u>1,249,251</u></u>

C. Excess of Expenditures Over Appropriations

For the fiscal year ended June 30, 2006, expenditures exceeded appropriations for public works functions, winter maintenance, by \$200,000. This over-expenditure will be funded by available funds during fiscal year 2007.

Combining Statements

Nonmajor Governmental Funds

SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for specific revenue sources that are restricted by law or administrative action to expenditures for specific purposes.

School Lunch Fund – This fund accounts for the cafeteria activities and is funded by user fees and grants.

Highway Fund – This fund accounts for costs incurred with the construction and reconstruction of Town owned roadways. Costs charged to the fund are subject to reimbursement by the Commonwealth of Massachusetts.

Community Preservation Fund – This fund is used to account for funds received in accordance with the Community Preservation Act (the CPA). Funds are received under the CPA through a surcharge of up to 3% of the real property tax levy and matching state grants. The funds are spent for the acquisition, creation and preservation of open space, historic resources and affordable housing.

Grant Fund – This fund accounts for Federal and state grants which are designated for specific programs.

Receipts Reserved Fund – This fund accounts for specific receipts identified by the Commonwealth that are to be held until appropriated.

Revolving Fund – This fund accounts for self-supporting programs sponsored by the Town.

Governmental Trust – This fund accounts for statutory trusts where the funds are spent on governmental purposes.

Other – This fund accounts for all other legally established special revenues where the funds are spent on governmental purposes.

PERMANENT FUND

Permanent funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the Town's programs. The Town maintains one fund to account for nonexpendable contributions and expendable earnings that can be spent on governmental purposes.

NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET

JUNE 30, 2006

Special Revenue Funds					
ASSETS	School Lunch	Highway	Community Preservation	Grants	Receipts Reserved
Cash and cash equivalents.....	\$ 610,682	\$ -	\$ 1,525,030	\$ 68,792	\$ 598,769
Investments.....	-	-	1,744,427	-	-
Receivables, net of uncollectibles:					
Departmental and other.....	-	-	5,851	-	-
Intergovernmental.....	-	1,584,050	640,420	386,339	-
Due from other funds.....	-	-	-	-	156,745
TOTAL ASSETS.....	\$ 610,682	\$ 1,584,050	\$ 3,915,728	\$ 455,131	\$ 755,514
LIABILITIES AND FUND BALANCES					
LIABILITIES:					
Warrants payable.....	\$ 760	\$ 149,138	\$ 9,929	\$ 45,531	\$ 8,818
Accrued payroll.....	2,564	-	-	5,868	4,292
Other liabilities.....	-	-	1,389	-	-
Deferred revenues.....	-	1,214,519	624,947	-	-
Due to other funds.....	-	220,393	-	156,745	-
TOTAL LIABILITIES.....	3,324	1,584,050	636,265	208,144	13,110
FUND BALANCES:					
Reserved for:					
Perpetual permanent funds.....	-	-	-	-	-
Unreserved:					
Undesignated, reported in:					
Special revenue funds.....	607,358	-	3,279,463	246,987	742,404
Permanent funds.....	-	-	-	-	-
TOTAL FUND BALANCES.....	607,358	-	3,279,463	246,987	742,404
TOTAL LIABILITIES AND FUND BALANCES...	\$ 610,682	\$ 1,584,050	\$ 3,915,728	\$ 455,131	\$ 755,514

Special Revenue Funds					
Revolving	Governmental Trust	Other	Sub-total	Permanent Fund	Total Nonmajor Governmental Funds
\$ 789,421	\$ 73,309	\$ 802,368	\$ 4,468,371	\$ 13,241	\$ 4,481,612
-	2,854,153	-	4,598,580	871,171	5,469,751
69,536	-	-	75,387	-	75,387
-	-	-	2,610,809	-	2,610,809
220,393	-	-	377,138	-	377,138
<u>\$ 1,079,350</u>	<u>\$ 2,927,462</u>	<u>\$ 802,368</u>	<u>\$ 12,130,285</u>	<u>\$ 884,412</u>	<u>\$ 13,014,697</u>
\$ 9,412	\$ -	\$ 46,720	\$ 270,308	\$ 4,982	\$ 275,290
21,416	-	4,917	39,057	-	39,057
			1,389		1,389
69,536	-	-	1,909,002	-	1,909,002
-	-	-	377,138	-	377,138
<u>100,364</u>	<u>-</u>	<u>51,637</u>	<u>2,596,894</u>	<u>4,982</u>	<u>2,601,876</u>
-	-	-	-	220,712	220,712
978,986	2,927,462	750,731	9,533,391	-	9,533,391
-	-	-	-	658,718	658,718
<u>978,986</u>	<u>2,927,462</u>	<u>750,731</u>	<u>9,533,391</u>	<u>879,430</u>	<u>10,412,821</u>
<u>\$ 1,079,350</u>	<u>\$ 2,927,462</u>	<u>\$ 802,368</u>	<u>\$ 12,130,285</u>	<u>\$ 884,412</u>	<u>\$ 13,014,697</u>

NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

FISCAL YEAR ENDED JUNE 30, 2006

	Special Revenue Funds				
	School Lunch	Highway	Community Preservation	Grants	Receipts Reserved
REVENUES:					
Charges for services.....	\$ 990,903	\$ -	\$ -	\$ -	\$ -
Fines and forfeitures.....	-	-	-	-	699,665
Intergovernmental.....	102,775	1,628,301	586,852	2,177,829	-
Departmental and other.....	-	-	-	-	-
Community preservation tax.....	-	-	647,462	-	-
Contributions.....	-	-	-	-	-
Investment income.....	-	-	58,510	-	-
TOTAL REVENUES.....	1,093,678	1,628,301	1,292,824	2,177,829	699,665
EXPENDITURES:					
Current:					
General government.....	-	-	-	2,880	-
Public safety.....	-	-	-	100,785	-
Public education.....	993,017	-	-	2,007,369	-
Public works.....	-	1,628,301	-	28,319	-
Health and sanitation.....	-	-	-	22,558	-
Recreation.....	-	-	-	7,559	-
Library.....	-	-	-	46,744	-
Employee benefits.....	-	-	-	-	-
Traffic and parking management.....	-	-	-	-	614,061
Community preservation.....	-	-	394,938	-	-
TOTAL EXPENDITURES.....	993,017	1,628,301	394,938	2,216,214	614,061
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....	100,661	-	897,886	(38,385)	85,604
OTHER FINANCING SOURCES (USES):					
Transfers in.....	-	-	-	-	143,603
Transfers out.....	-	-	-	-	(81,225)
TOTAL OTHER FINANCING SOURCES (USES).....	-	-	-	-	62,378
NET CHANGE IN FUND BALANCES.....	100,661	-	897,886	(38,385)	147,982
FUND BALANCES AT BEGINNING OF YEAR.....	506,697	-	2,381,577	285,372	594,422
FUND BALANCES AT END OF YEAR.....	\$ 607,358	\$ -	\$ 3,279,463	\$ 246,987	\$ 742,404

Special Revenue Funds					
Revolving	Governmental Trust	Other	Sub-total	Permanent Fund	Total Nonmajor Governmental Funds
\$ -	\$ -	-	\$ 990,903	\$ -	\$ 990,903
-	-	-	699,665	-	699,665
-	-	-	4,495,757	-	4,495,757
2,174,267	-	-	2,174,267	-	2,174,267
-	-	-	647,462	-	647,462
26,838	-	2,091,431	2,118,269	-	2,118,269
-	236,161	-	294,671	69,092	363,763
2,201,105	236,161	2,091,431	11,420,994	69,092	11,490,086
-	-	4,202	7,082	-	7,082
666,416	-	10,917	778,118	-	778,118
1,479,676	-	1,648,851	6,128,913	4,440	6,133,353
(182)	-	16,633	1,673,071	-	1,673,071
-	-	22,055	44,613	-	44,613
-	-	123,496	131,055	-	131,055
2,150	58,732	191,902	299,528	49,183	348,711
17,484	-	-	17,484	-	17,484
-	-	-	614,061	-	614,061
-	-	-	394,938	-	394,938
2,165,544	58,732	2,018,056	10,088,863	53,623	10,142,486
35,561	177,429	73,375	1,332,131	15,469	1,347,600
-	300,000	-	443,603	300,000	743,603
-	-	-	(81,225)	(200,000)	(281,225)
-	300,000	-	362,378	100,000	462,378
35,561	477,429	73,375	1,694,509	115,469	1,809,978
943,425	2,450,033	677,356	7,838,882	763,961	8,602,843
\$ 978,986	\$ 2,927,462	\$ 750,731	\$ 9,533,391	\$ 879,430	\$ 10,412,821

Internal Service Funds

Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the government and to other governmental units, on a cost reimbursement basis.

Network Information Services Fund – This fund is used to control the cost of providing network services to all Town departments.

Vehicle Maintenance Fund – This fund is used to account for the maintenance and fuel costs of all Town vehicles.

Health Insurance Fund – This fund is used to account for the payment of health and other employee benefit programs.

Workers Compensation Fund – This fund is used to account for self-insured activities of providing workers compensation benefits to Town employees.

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET ASSETS

JUNE 30, 2006

	Network Information Services	Fleet Maintenance	Health Insurance	Worker's Compensation	Total Internal Service Funds
ASSETS					
CURRENT:					
Cash and cash equivalents.....	\$ 257,813	\$ 26,974	\$ -	\$ -	\$ 284,787
Investments.....	2,641	-	727,138	364,204	1,093,983
TOTAL ASSETS.....	260,454	26,974	727,138	364,204	1,378,770
LIABILITIES					
CURRENT:					
Warrants payable.....	58,200	-	-	-	58,200
Accrued payroll.....	29,697	-	-	-	29,697
Workers' compensation.....	-	-	-	249,000	249,000
Total current liabilities.....	87,897	-	-	249,000	336,897
NONCURRENT:					
Workers' compensation.....	-	-	-	581,000	581,000
Total noncurrent liabilities.....	-	-	-	581,000	581,000
TOTAL LIABILITIES.....	87,897	-	-	830,000	917,897
NET ASSETS					
Unrestricted.....	\$ 172,557	\$ 26,974	\$ 727,138	\$ (465,796)	\$ 460,873

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

FISCAL YEAR ENDED JUNE 30, 2006

	Network Information Services	Fleet Maintenance	Health Insurance	Worker's Compensation	Total Internal Service Funds
OPERATING REVENUES:					
Employee contributions	\$ -	\$ -	\$ 3,358,065	\$ -	\$ 3,358,065
Charges for services	801,498	1,197,113	10,597,662	260,630	12,856,903
TOTAL OPERATING REVENUES	801,498	1,197,113	13,955,727	260,630	16,214,968
OPERATING EXPENSES:					
Supplies and services.....	914,233	1,224,055	13,573,655	372,572	16,084,515
TOTAL OPERATING EXPENSES	914,233	1,224,055	13,573,655	372,572	16,084,515
OPERATING INCOME (LOSS).....	(112,735)	(26,942)	382,072	(111,942)	130,453
NONOPERATING REVENUES (EXPENSES):					
Investment income.....	-	-	66,228	(46,813)	19,415
TOTAL NONOPERATING REVENUES (EXPENSES), NET.....	-	-	66,228	(46,813)	19,415
CHANGE IN NET ASSETS.....	(112,735)	(26,942)	448,300	(158,755)	149,868
NET ASSETS AT BEGINNING OF YEAR.....	285,292	53,916	278,838	(307,041)	311,005
NET ASSETS AT END OF YEAR.....	\$ 172,557	\$ 26,974	\$ 727,138	\$ (465,796)	\$ 460,873

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS

FISCAL YEAR ENDED JUNE 30, 2006

	Network Information Services	Fleet Maintenance	Health Insurance	Worker's Compensation	Total Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:					
Receipts from customers and users.....	\$ -	\$ -	\$ 3,366,552	\$ -	\$ 3,366,552
Receipts from interfund services provided.....	801,498	1,197,113	10,597,662	260,630	12,856,903
Payments to employees.....	(496,313)	(480,639)	-	(286,572)	(1,263,524)
Payments for interfund services used.....	(478,308)	(743,416)	(13,573,655)	-	(14,795,379)
NET CASH FROM OPERATING ACTIVITIES.....	(173,123)	(26,942)	390,559	(25,942)	164,552
CASH FLOWS FROM INVESTING ACTIVITIES:					
Proceeds from sales and maturities of investments.....	427,718	-	270,351	436,959	1,135,028
Purchase of investments.....	(2,641)	-	(727,138)	(364,204)	(1,093,983)
Investment income.....	-	-	66,228	(46,813)	19,415
NET CASH FROM INVESTING ACTIVITIES.....	425,077	-	(390,559)	25,942	60,460
NET CHANGE IN CASH AND CASH EQUIVALENTS.....	251,954	(26,942)	-	-	225,012
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR.....	5,859	53,916	-	-	59,775
CASH AND CASH EQUIVALENTS, END OF YEAR.....	\$ 257,813	\$ 26,974	\$ -	\$ -	\$ 284,787
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES:					
Operating income (loss).....	\$ (112,735)	\$ (26,942)	\$ 382,072	\$ (111,942)	\$ 130,453
Adjustments to reconcile operating income (loss) to net cash from operating activities:					
Changes in assets and liabilities:					
Departmental and other.....	-	-	8,487	-	8,487
Warrants payable.....	(60,577)	-	-	-	(60,577)
Accrued payroll.....	189	-	-	-	189
Workers' compensation.....	-	-	-	86,000	86,000
Total adjustments.....	(60,388)	-	8,487	86,000	34,099
NET CASH FROM OPERATING ACTIVITIES.....	\$ (173,123)	\$ (26,942)	\$ 390,559	\$ (25,942)	\$ 164,552

Fiduciary Funds

Agency Fund – This fund is used to account for payroll withholdings and other amounts held in a fiduciary capacity for nongovernmental purposes

AGENCY FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	Agency Accounts July 1, 2005	Additions	Deletions	Agency Accounts June 30, 2006
ASSETS				
Cash and cash equivalents.....	\$ 364,399	\$ 23,224,826	\$ (22,257,069)	\$ 1,332,156
LIABILITIES				
Liabilities due depositors.....	\$ 364,399	\$ 23,224,826	\$ (22,257,069)	\$ 1,332,156

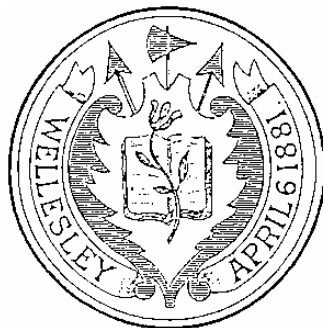
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Statistical Section

Statistical tables differ from financial statements since they usually cover more than one fiscal year and may present nonaccounting data. The following tables reflect social and economic data, financial trends, and fiscal capacity.



Pictured above is the recently renovated Sprague Elementary School; one of Wellesley's seven elementary schools. The re-construction project included the addition of eighteen classrooms which were attached to the original facade of the building.



**Town of Wellesley, Massachusetts
Comprehensive Annual Financial Report
For the fiscal year ended June 30, 2006**

Statistical Section

This part of the Town of Wellesley's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Town's overall financial health.

Financial Trends

- These schedules contain trend information to help the reader understand how the Town's financial performance and well-being have changed over time.

Revenue Capacity

- These schedules contain information to help the reader assess the Town's most significant local revenue source, the property tax.

Debt Capacity

- These schedules present information to help the reader assess the affordability of the Town's current levels of outstanding debt and the Town's ability to issue additional debt in the future.

Demographic and Economic Information

- These schedules offer demographic and economic indicators to help the reader understand the environment within which the Town's financial activities take place.

Operating Information

- These schedules contain service and infrastructure data to help the reader understand how the information in the Town's financial report relates to the services the Town provides and the activities it performs.

SOURCES: Unless otherwise noted, the information in these schedules is derived from the audited financial reports for the relevant year. The Town implemented GASB Statement No. 34 in 2003; schedules presenting government-wide information include information beginning in that year.

Town of Wellesley, Massachusetts
Net Assets By Component
Last Four Fiscal Years

	Fiscal Year			
	2003	2004	2005	2006
Governmental activities				
Invested in capital assets, net of related debt.....	\$ 28,393,793	\$ 60,416,766	\$ 56,280,575	\$ 59,460,936
Restricted.....	1,753,311	2,622,666	4,235,793	5,156,611
Unrestricted.....	18,866,117	13,051,094	13,819,989	16,306,929
Total governmental activities net assets.....	<u>\$ 49,013,221</u>	<u>\$ 76,090,526</u>	<u>\$ 74,336,357</u>	<u>\$ 80,924,476</u>
Business-type activities				
Invested in capital assets, net of related debt.....	\$ 48,781,255	\$ 52,192,699	\$ 54,876,155	\$ 59,462,054
Unrestricted.....	15,610,960	16,796,672	18,463,745	17,200,472
Total business-type activities net assets.....	<u>\$ 64,392,215</u>	<u>\$ 68,989,371</u>	<u>\$ 73,339,900</u>	<u>\$ 76,662,526</u>
Primary government				
Invested in capital assets, net of related debt.....	\$ 77,175,048	\$ 112,609,465	\$ 111,156,730	\$ 118,922,990
Restricted.....	1,753,311	2,622,666	4,235,793	5,156,611
Unrestricted.....	34,477,077	29,847,766	32,283,734	33,507,401
Total primary government net assets.....	<u>\$ 113,405,436</u>	<u>\$ 145,079,897</u>	<u>\$ 147,676,257</u>	<u>\$ 157,587,002</u>

Town of Wellesley, Massachusetts
Changes in Net Assets
Last Four Fiscal Years

	Fiscal Year			
	2003	2004	2005	2006
Expenses				
Governmental activities:				
General government.....	\$ 5,417,635	\$ 5,023,821	\$ 5,911,754	\$ 5,719,762
Public safety.....	10,231,912	10,576,430	10,444,322	11,107,846
Public education.....	59,251,315	59,049,160	67,773,355	66,291,816
Public works.....	7,803,930	8,220,603	8,028,150	7,719,262
Health and sanitation.....	569,245	904,649	908,898	923,438
Library.....	3,015,690	3,213,639	2,966,722	3,182,478
Recreation.....	1,058,030	1,790,255	1,586,785	1,556,295
Traffic and parking management.....	561,341	592,766	616,467	614,061
Community preservation.....	-	-	401,717	394,938
Interest.....	1,520,180	1,363,670	1,725,684	1,965,900
Other.....	1,111,107	451,307	486,780	696,959
Total government activities expenses.....	90,540,385	91,186,300	100,850,634	100,172,755
Business-type activities:				
Sewer.....	4,912,376	4,999,788	5,030,351	5,231,528
Water.....	3,226,687	3,282,334	3,473,977	3,776,231
Electric.....	16,813,918	15,612,029	15,675,397	18,305,554
Total business-type activities expenses.....	24,952,981	23,894,151	24,179,725	27,313,313
Total primary government expenses.....	\$ 115,493,366	\$ 115,080,451	\$ 125,030,359	\$ 127,486,068
Program Revenues				
Governmental activities:				
Education charges for services.....	\$ 1,939,722	\$ 2,136,661	\$ 2,195,309	\$ 2,385,765
Public Safety charges for services.....	2,118,225	2,665,474	2,514,000	2,829,868
Other charges for services.....	2,022,302	2,335,672	2,662,604	2,854,573
Education operating grants and contributions.....	10,719,067	11,293,770	13,448,572	14,537,555
Other operating grants and contributions.....	3,468,434	3,386,078	1,500,867	991,475
Education capital grant and contributions.....	2,011,335	18,778,000	-	-
Other capital grant and contributions.....	1,670,009	5,074,298	910,763	2,240,277
Total government activities program revenues.....	23,949,094	45,669,953	23,232,115	25,839,513
Business-type activities:				
Electric Light charges for services.....	20,417,267	20,683,699	20,612,378	22,006,910
Sewer and water charges for services.....	8,273,537	8,424,932	8,614,427	9,072,079
Electric Light capital grant and contributions.....	226,218	270,456	512,127	533,944
Other capital grant and contributions.....	34,157	43,625	123,091	57,879
Total business-type activities program revenues.....	28,951,179	29,422,712	29,862,023	31,670,812
Total primary government program revenues.....	\$ 52,900,273	\$ 75,092,665	\$ 53,094,138	\$ 57,510,325
Net (Expense)/Revenue				
Governmental activities.....	\$ (66,591,291)	\$ (45,516,347)	\$ (77,618,519)	\$ (74,333,242)
Business-type activities.....	3,998,198	5,528,561	5,682,298	4,357,499
Total primary government net expense.....	\$ (62,593,093)	\$ (39,987,786)	\$ (71,936,221)	\$ (69,975,743)
General Revenues and other Changes in Net Assets				
Governmental activities:				
Real estate and personal property taxes, net of tax refunds payable.....	\$ 61,585,388	\$ 64,070,276	\$ 67,205,004	\$ 71,321,199
Community preservation tax.....	-	563,595	590,772	647,462
Motor vehicle and other excise taxes.....	4,263,663	4,404,140	3,992,408	4,024,721
Grants and contributions, and other not restricted to specific programs.....	2,101,414	2,001,048	1,841,256	2,190,228
Unrestricted investment income.....	1,305,019	554,593	843,910	1,612,751
Transfers.....	1,000,000	1,000,000	1,391,000	1,125,000
Total governmental activities.....	70,255,484	72,593,652	75,864,350	80,921,361
Business-type activities:				
Unrestricted investment income.....	-	68,595	59,231	90,127
Transfers.....	(1,000,000)	(1,000,000)	(1,391,000)	(1,125,000)
Total business type activities.....	(1,000,000)	(931,405)	(1,331,769)	(1,034,873)
Total primary government.....	\$ 69,255,484	\$ 71,662,247	\$ 74,532,581	\$ 79,886,488
Changes in Net Assets				
Governmental activities.....	\$ 3,664,193	\$ 27,077,305	\$ (1,754,169)	\$ 6,588,119
Business-type activities.....	2,998,198	4,597,156	4,350,529	3,322,626
Total primary government.....	\$ 6,662,391	\$ 31,674,461	\$ 2,596,360	\$ 9,910,745

Town of Wellesley, Massachusetts
Fund Balances, Governmental Funds
Last Ten Fiscal Years

	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
General Fund										
Reserved.....	\$ 2,271,356	\$ 2,241,929	\$ 2,272,726	\$ 3,179,152	\$ 2,527,264	\$ 3,536,857	\$ 3,272,806	\$ 2,718,614	\$ 2,845,563	\$ 2,014,113
Unreserved.....	<u>2,839,142</u>	<u>4,999,703</u>	<u>4,959,321</u>	<u>3,021,231</u>	<u>2,736,147</u>	<u>1,812,003</u>	<u>752,661</u>	<u>2,430,987</u>	<u>4,399,672</u>	<u>6,480,373</u>
Total general fund.....	<u>\$ 5,110,498</u>	<u>\$ 7,241,632</u>	<u>\$ 7,232,047</u>	<u>\$ 6,200,383</u>	<u>\$ 5,263,411</u>	<u>\$ 5,348,860</u>	<u>\$ 4,025,467</u>	<u>\$ 5,149,601</u>	<u>\$ 7,245,235</u>	<u>\$ 8,494,486</u>
All Other Governmental Funds										
Reserved.....	\$ 1,667,817	\$ 783,779	\$ 414,625	\$ 390,018	\$ 791,785	\$ 1,179,308	\$ 976,456	\$ 221,272	\$ 220,419	\$ 220,712
Unreserved, reported in:										
Special revenue funds.....	1,147,887	1,462,613	1,536,852	1,839,481	1,795,284	2,198,043	5,288,842	7,385,439	7,838,882	9,533,391
Capital projects funds.....	1,529,957	655,261	109,577	(1,033,613)	13,724,319	(4,465,856)	(17,562,227)	(4,637,594)	11,510,107	8,544,779
Permanent funds.....	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>507,531</u>	<u>549,688</u>	<u>543,542</u>	<u>658,718</u>
Total all other governmental funds.....	<u>\$ 4,345,661</u>	<u>\$ 2,901,653</u>	<u>\$ 2,061,054</u>	<u>\$ 1,195,886</u>	<u>\$ 16,311,388</u>	<u>\$ (1,088,505)</u>	<u>\$ (10,789,398)</u>	<u>\$ 3,518,805</u>	<u>\$ 20,112,950</u>	<u>\$ 18,957,600</u>

Fiscal years 1996 through 2002 exclude Expendable and Nonexpendable Trust Funds which were reported under the pre-GASB 34 format.

Town of Wellesley, Massachusetts
Changes in Fund Balances, Governmental Funds
Last Ten Fiscal Years

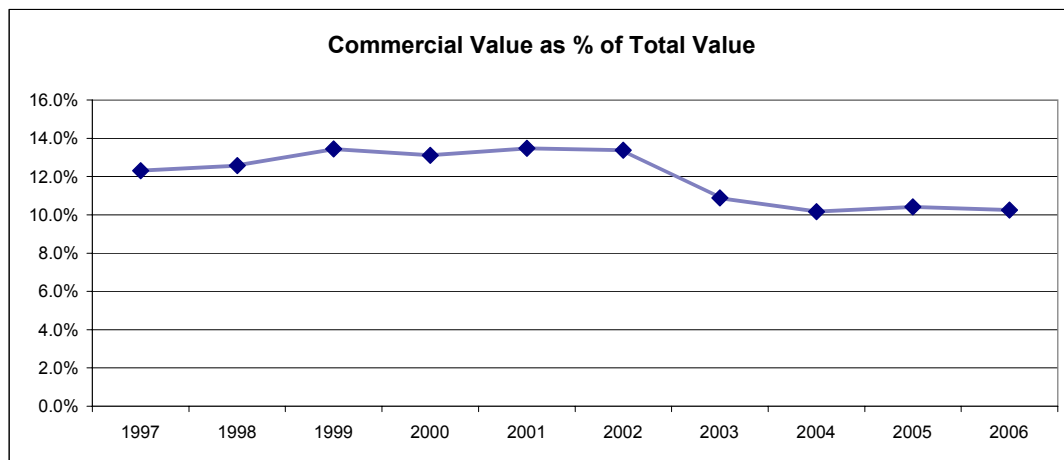
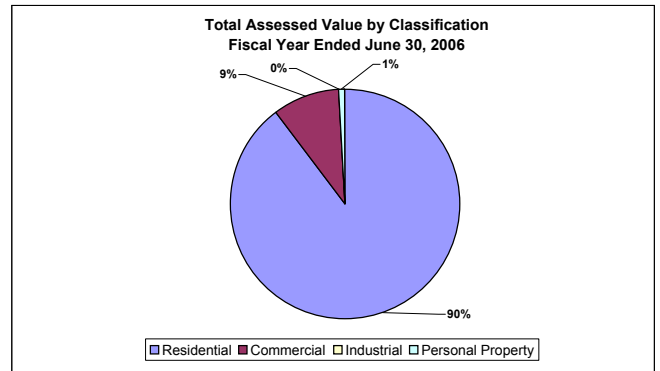
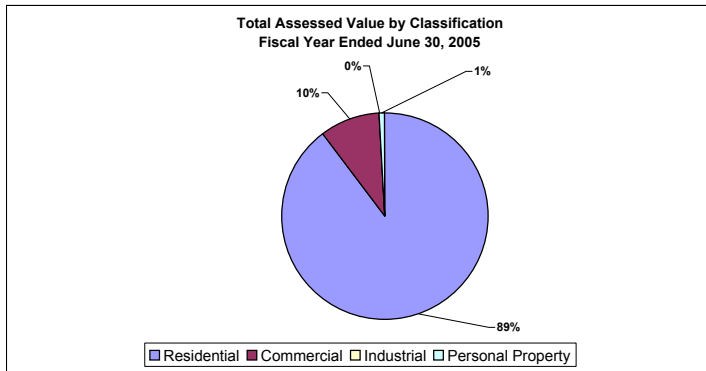
	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Revenues:										
Real estate and personal property taxes, net of tax refunds.....	\$ 40,194,771	\$ 41,841,680	\$ 43,700,115	\$ 45,605,810	\$ 48,364,287	\$ 53,717,036	\$ 58,104,152	\$ 62,151,256	\$ 66,459,298	\$ 71,217,505
Motor vehicle and other excise taxes.....	3,016,942	3,120,428	3,391,300	3,866,212	3,837,247	3,903,497	3,827,688	3,846,238	3,945,707	4,038,289
Community preservation tax.....	-	-	-	-	-	-	513,857	563,595	590,772	647,462
Charges for service.....	522,044	582,928	765,218	889,807	973,019	781,649	874,822	875,507	920,385	990,903
Intergovernmental.....	7,351,233	6,797,143	6,677,170	12,986,064	14,330,776	14,265,410	15,013,111	16,877,556	20,721,836	18,952,519
Departmental and other.....	6,223,074	7,447,691	6,805,195	7,835,937	8,470,025	7,531,475	9,377,898	10,953,699	8,483,502	11,931,673
Total Revenue.....	57,308,064	59,789,870	61,338,998	71,183,830	75,975,354	80,199,067	87,711,528	95,267,851	101,121,500	107,778,351
Expenditures:										
General government.....	2,878,821	3,139,604	3,451,799	3,317,580	3,496,629	3,362,292	3,772,208	3,233,489	4,113,096	3,851,097
Public safety.....	6,396,881	6,630,689	7,910,500	8,388,383	8,554,234	8,951,996	8,976,386	8,917,285	8,979,145	9,430,067
Education.....	26,333,935	29,883,959	31,909,391	34,656,803	37,205,546	39,856,136	47,247,590	45,058,667	47,036,196	50,135,066
Public works.....	8,486,383	6,766,789	5,934,637	5,905,897	6,545,059	6,645,808	7,198,459	7,071,277	6,832,213	6,319,997
Health and sanitation.....	348,368	345,084	370,497	404,011	417,514	509,806	530,201	855,613	861,634	828,810
Recreation.....	701,507	650,341	688,049	777,639	791,723	757,313	782,467	1,417,905	1,170,948	1,228,227
Library.....	1,754,970	2,224,813	2,301,368	2,271,179	2,236,426	2,232,506	2,499,339	2,526,667	2,257,163	2,509,317
Teachers pension benefits - state funded (see note below).....	-	-	-	5,329,843	5,909,834	5,124,471	5,788,693	6,174,123	6,912,222	7,571,709
Employee benefits and insurances.....	5,131,029	4,192,725	4,145,000	4,214,883	4,784,500	6,448,205	7,732,966	8,348,890	8,913,374	10,466,484
Capital outlay.....	4,528,161	1,732,795	1,168,461	1,514,577	4,707,429	18,369,686	19,537,019	6,930,073	6,129,829	18,907,402
Community preservation.....	-	-	-	-	-	-	-	-	-	394,938
State and county charges.....	1,014,669	976,522	994,316	1,010,052	1,019,278	1,021,764	1,000,627	1,041,780	989,645	932,492
Other.....	1,582,910	1,344,347	1,269,186	951,415	1,087,421	880,720	1,672,448	1,044,073	1,504,964	1,311,020
Debt service.....										
Principal.....	2,467,593	2,721,000	3,295,000	3,577,843	3,928,958	4,290,000	2,685,000	3,110,000	3,750,000	4,520,000
Interest.....	848,741	790,002	776,478	512,024	403,392	1,177,308	1,520,180	1,279,274	1,679,941	1,938,444
Total Expenditures.....	62,473,968	61,398,670	64,214,682	72,832,129	81,087,943	99,628,011	110,943,583	97,009,116	101,130,370	120,345,070
Excess of revenues over (under) expenditures.....	(5,165,904)	(1,608,800)	(2,875,684)	(1,648,299)	(5,112,589)	(19,428,944)	(23,232,055)	(1,741,265)	(8,870)	(12,566,719)
Other Financing Sources (Uses)										
Issuance of bonds and notes.....	-	-	-	-	18,400,000	-	5,510,000	15,660,000	17,290,000	11,466,000
Premium from issuance of bonds.....	-	-	-	-	-	-	-	513,602	199,649	69,620
Sale of land.....	-	-	-	1,100,000	-	-	-	-	-	-
Transfers in.....	2,901,327	1,985,600	2,472,000	1,700,000	2,976,124	3,035,594	3,217,220	2,641,000	1,663,932	2,272,628
Transfers out.....	(912,000)	(905,000)	(446,500)	(3,048,533)	(2,085,005)	(921,094)	(2,217,220)	(1,641,000)	(663,932)	(1,147,628)
Total other financing sources (uses).....	1,989,327	1,080,600	2,025,500	(248,533)	19,291,119	2,114,500	6,510,000	17,173,602	18,489,649	12,660,620
Net change in fund balance.....	\$ (3,176,577)	\$ (528,200)	\$ (850,184)	\$ (1,896,832)	\$ 14,178,530	\$ (17,314,444)	\$ (16,722,055)	\$ 15,432,337	\$ 18,480,779	\$ 93,901
Debt service as a percentage of noncapital expenditures.....	5.72%	5.88%	6.46%	5.73%	5.67%	6.73%	4.60%	4.87%	5.72%	6.37%

Notes:

Fiscal years 1996 through 2002 exclude Expendable and Nonexpendable Trust Funds which were reported under the pre-GASB 34 format.
In fiscal year 2000, the on-behalf payments by the Commonwealth for teachers pension benefits were reported for the first time.

Town of Wellesley, Massachusetts
Assessed Value and Actual Value of Taxable Property by Classification and Tax Rates
Last Ten Fiscal Years

Fiscal Year	Assessed and Actual Values and Tax Rates									
	Residential Value	Residential Tax Rate	Residential % of Total Value	Commercial Value	Industrial Value	Personal Property	Total Commercial Value	Commercial Tax Rate	Commercial % of Total Value	Total Town Value
1997	(1) \$3,558,431,000	10.04	87.70%	\$465,706,100	\$6,442,000	\$27,051,000	\$499,199,100	10.04	12.30%	\$4,057,630,100
1998	\$3,677,517,000	10.03	87.42%	\$493,285,500	\$4,757,000	\$31,017,000	\$529,059,500	10.03	12.58%	\$4,206,576,500
1999	\$3,864,867,000	9.86	86.56%	\$556,955,000	\$4,916,000	\$38,390,000	\$600,261,000	9.86	13.44%	\$4,465,128,000
2000	(1) \$4,198,292,000	9.50	86.89%	\$588,887,000	\$5,011,000	\$39,364,300	\$633,262,300	9.50	13.11%	\$4,831,554,300
2001	\$4,757,723,000	8.85	86.53%	\$691,499,999	\$5,421,000	\$43,969,500	\$740,890,499	8.85	13.47%	\$5,498,613,499
2002	\$5,776,391,000	8.10	86.62%	\$832,118,000	\$6,096,000	\$54,259,100	\$892,473,100	8.10	13.38%	\$6,668,864,100
2003	(1) \$6,406,545,000	8.12	89.11%	\$721,380,000	\$5,297,000	\$56,051,200	\$782,728,200	8.12	10.89%	\$7,189,273,200
2004	\$6,687,379,000	8.56	89.84%	\$688,831,000	\$5,428,000	\$62,123,900	\$756,382,900	8.56	10.16%	\$7,443,761,900
2005	\$7,073,527,000	8.40	89.58%	\$753,855,000	\$5,896,000	\$62,710,000	\$822,461,000	8.40	10.42%	\$7,895,988,000
2006	\$7,743,110,000	8.32	89.75%	\$815,399,000	\$6,504,000	\$62,828,500	\$884,731,500	8.32	10.25%	\$8,627,841,500



(1) Revaluation year.

Source: Assessor's Department, Town of Wellesley

All property in the Commonwealth of Massachusetts is assessed at 100% of fair cash value.

Note: Chapter 59, Section 21C of the Massachusetts General Laws, known as "Proposition 2 1/2", imposes 2 separate limits on the annual tax levy of the Town. The primary limitation is that the tax levy cannot exceed 2 1/2 percent of the full and fair cash value.

The secondary limitation is that the tax levy cannot exceed the maximum levy limit for the preceding fiscal year as determined by the State Commissioner of Revenue by more than 2 1/2 percent, subject to an exception for property added to the tax rolls and for certain substantial valuation increases other than as part of a general revaluation. The secondary limit may be exceeded in any year by a majority vote of the voters, however it cannot exceed the primary limitation.

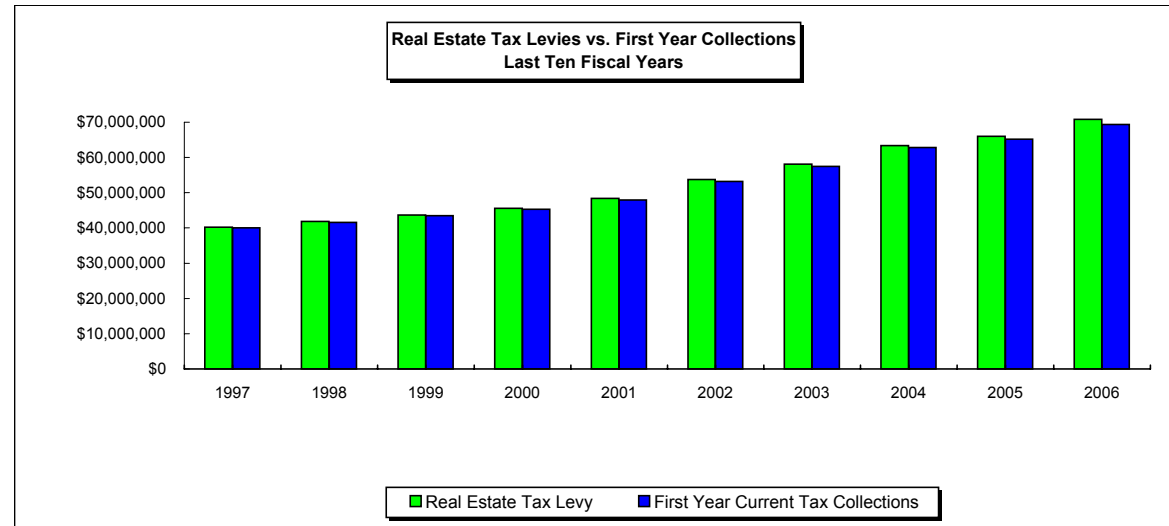
Town of Wellesley, Massachusetts
Principal Taxpayers
Current Year and Eleven Years Ago

Name	Nature of Business	2006			1996 (1)		
		Assessed Valuation	Rank	Percentage of Total Taxable Assessed Value	Assessed Valuation	Rank	Percentage of Total Taxable Assessed Value
Haynes Management	Office Buildings	\$129,688,000	1	1.50%	-	-	-
Beacon Properties	Office Buildings	\$123,673,000	2	1.43%	\$46,585,000	2	1.41%
Sun Life Assurance	Office Buildings	\$74,786,000	3	0.87%	\$41,607,000	3	1.26%
Wellesley College	Education/Residential	\$67,780,000	4	0.79%	\$56,100,000	1	1.69%
Harvard Pilgrim	Office Buildings	\$53,049,000	5	0.61%	-	-	-
Diehl's	Lumber Yard/Real Estate	\$52,730,000	6	0.61%	-	-	-
Hunnewell Family	Residential	\$33,767,000	7	0.39%	-	-	-
Newton Wellesley Executive Office Park	Office Buildings	\$23,793,000	8	0.28%	-	-	-
GPT Realty Trust	Residential	\$25,776,000	9	0.30%	-	-	-
Grignaffini & Suns	Real Estate Development	\$21,888,000	10	0.25%	-	-	-
Wellesley Holdings L. P.	Office Buildings	-	-	-	\$21,046,000	4	0.64%
Babson College	Education/Residential	-	-	-	\$40,439,900	5	0.62%
Walnut Street Trust	Office Buildings	-	-	-	\$13,291,000	6	0.40%
Wellesley Executive Office Partners	Office Buildings	-	-	-	\$11,939,000	7	0.36%
William Diehl Realty Trust	Commercial/Office	-	-	-	\$11,377,000	8	0.34%
Haymac Trust	Office Buildings	-	-	-	\$11,290,000	9	0.34%
John D. Murphy et al	Commercial Property	-	-	-	\$10,713,000	10	0.32%
Totals		<u>\$606,930,000</u>		<u>7.03%</u>	<u>\$264,387,900</u>		<u>7.38%</u>

Source: Assessor's Department, Town of Wellesley
(1) This comparative information for 1997 is unavailable

**Town of Wellesley, Massachusetts
Property Tax Levies and Collections
Last Ten Fiscal Years**

Fiscal Year		(2) Total Tax Levy	Less Abatements & Exemptions	(2) Net Tax Levy	First Year Current Tax Collections	Percent of Net Levy Collected	Delinquent Tax Collections	Total Tax Collections	Percent of Total Tax Collections to Net Tax Levy
1997	(1)	\$40,738,606	\$523,616	\$40,214,990	\$40,024,770	99.5%	\$171,521	\$40,196,291	99.95%
1998		\$42,191,962	\$350,282	\$41,841,680	\$41,601,320	99.4%	\$233,399	\$41,834,719	99.98%
1999		\$44,026,162	\$326,055	\$43,700,107	\$43,490,112	99.5%	\$196,447	\$43,686,559	99.97%
2000	(1)	\$45,899,766	\$298,956	\$45,600,810	\$45,305,790	99.4%	\$292,531	\$45,598,321	99.99%
2001		\$48,661,845	\$298,938	\$48,362,907	\$47,900,000	99.0%	\$452,787	\$48,352,787	99.98%
2002		\$54,017,799	\$300,763	\$53,717,036	\$53,200,000	99.0%	\$449,394	\$53,649,394	99.87%
2003	(1)	\$58,376,899	\$308,595	\$58,068,304	\$57,500,000	99.0%	\$502,432	\$58,002,432	99.89%
2004		\$63,718,602	\$316,357	\$63,402,245	\$62,843,022	99.1%	\$482,833	\$63,325,855	99.88%
2005		\$66,326,299	\$300,410	\$66,025,889	\$65,215,885	98.8%	\$164,911	\$65,380,796	99.02%
2006		\$71,260,908	\$471,259	\$70,789,649	\$69,322,837	97.9%	\$0	\$69,322,837	97.93%



Source: Assessor's Department, Town of Wellesley

(1) Revaluation year.

(2) Includes tax liens.

Town of Wellesley, Massachusetts
Ratios of Outstanding Debt and General Bonded Debt
Last Ten Fiscal Years

Fiscal Year	U. S. Census Population	Personal Income	Assessed Value	Governmental Activities Debt				
				General Obligation Bonds	Capital Leases	Per Capita	Percentage of Personal Income	Percentage of Assessed Value
1997	26,795	1,360,449,309	\$4,057,630,100	\$15,440,000	\$0	\$576	1.13%	0.38%
1998	26,789	1,387,902,729	\$4,206,576,500	\$13,075,000	\$0	\$488	0.94%	0.31%
1999	26,663	1,409,566,158	\$4,465,128,000	\$10,720,000	\$0	\$402	0.76%	0.24%
2000	26,613	1,435,061,315	\$4,831,554,300	\$8,145,000	\$0	\$306	0.57%	0.17%
2001	26,632	1,464,807,575	\$5,498,513,500	\$24,510,000	\$0	\$920	1.67%	0.45%
2002	26,658	1,495,562,374	\$6,668,864,100	\$21,485,000	\$0	\$806	1.44%	0.32%
2003	26,628	1,523,756,906	\$7,189,273,200	\$24,310,000	\$0	\$913	1.60%	0.34%
2004	26,578	1,551,313,627	\$7,443,761,900	\$36,860,000	\$0	\$1,387	2.38%	0.50%
2005	26,515	1,578,589,151	\$7,895,988,000	\$50,400,000	\$0	\$1,901	3.19%	0.64%
2006	26,978	1,638,277,264	\$8,627,841,500	\$57,346,000	\$0	\$2,126	3.50%	0.66%

Fiscal Year	Business-type Activities (1)		Total Primary Government			
	General Obligation Bonds	Capital Leases	Total Debt Outstanding	Per Capita	Percentage of Personal Income	Percentage of Assessed Value
1997	\$200,000	\$0	\$15,640,000	\$584	1.15%	0.39%
1998	\$6,600,000	\$0	\$19,675,000	\$734	1.42%	0.47%
1999	\$6,060,000	\$0	\$16,780,000	\$629	1.19%	0.38%
2000	\$5,620,000	\$0	\$13,765,000	\$517	0.96%	0.28%
2001	\$5,180,000	\$0	\$29,690,000	\$1,115	2.03%	0.54%
2002	\$4,980,000	\$0	\$26,465,000	\$993	1.77%	0.40%
2003	\$4,300,000	\$0	\$28,610,000	\$1,074	1.88%	0.40%
2004	\$3,985,000	\$0	\$40,845,000	\$1,537	2.63%	0.55%
2005	\$3,694,954	\$0	\$54,094,954	\$2,040	3.43%	0.69%
2006	\$3,849,935	\$0	\$61,195,935	\$2,268	3.74%	0.71%

(1) Municipal Light Plant, Sewer Fund, and Water Fund
Source: Audited Financial Statements, U. S. Census

Town of Wellesley, Massachusetts
Direct and Overlapping Governmental Activities Debt

As of June 30, 2006

	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
<u>Town of Wellesley, Massachusetts</u>			
Debt repaid with property taxes:			
Norfolk County.....	\$ 1,300,000	8.11%	\$ 105,430
Town direct debt.....			<u>57,346,000</u>
Total direct and overlapping debt.....			<u>\$ 57,451,430</u>

Source: Assessor's Department, Town of Wellesley

Town of Wellesley, Massachusetts
Computation of Legal Debt Margin
Last Ten Fiscal Years

	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Equalized Valuation	<u>\$3,914,149,200</u>	<u>\$4,279,350,300</u>	<u>\$4,279,350,300</u>	<u>\$4,279,350,300</u>	<u>\$5,266,642,800</u>	<u>\$5,266,640,800</u>	<u>\$7,153,728,900</u>	<u>\$7,153,728,900</u>	<u>\$8,211,971,900</u>	<u>\$8,211,971,900</u>
Debt Limit -5% of Equalized Valuation.....	\$195,707,460	\$ 213,967,515	\$ 213,967,515	\$ 213,967,515	\$ 263,332,140	\$ 263,332,040	\$ 357,686,445	\$ 357,686,445	\$ 410,598,595	\$ 410,598,595
Less:										
Outstanding debt applicable to limit.....	\$12,416,750	\$10,352,375	\$8,298,000	\$6,339,000	\$22,780,000	\$20,101,000	\$23,272,000	\$36,168,000	\$52,370,890	\$57,346,000
Authorized and unissued debt.....	<u>\$8,200,000</u>	<u>\$4,285,000</u>	<u>\$9,290,000</u>	<u>\$6,961,650</u>	<u>\$17,745,000</u>	<u>\$36,445,000</u>	<u>\$28,285,000</u>	<u>\$11,375,000</u>	<u>\$20,457,974</u>	<u>\$11,722,323</u>
Legal debt margin.....	<u>\$175,090,710</u>	<u>\$199,330,140</u>	<u>\$196,379,515</u>	<u>\$200,666,865</u>	<u>\$222,807,140</u>	<u>\$206,786,040</u>	<u>\$306,129,445</u>	<u>\$310,143,445</u>	<u>\$337,769,731</u>	<u>\$341,530,272</u>
Total debt applicable to the limit as a percentage of debt limit.....	10.53%	6.84%	8.22%	6.22%	15.39%	21.47%	14.41%	13.29%	17.74%	16.82%

Source: Financial Services Department, Town of Wellesley

**Town of Wellesley, Massachusetts
Demographic and Economic Statistics
Last Ten Fiscal Years**

Fiscal Year		Population Estimates	Personal Income	Per Capita Personal Income	Median Age	School Enrollment	Unemployment Rate
1997		26,795	\$ 1,360,449,309	\$50,773	37.6	3,565	1.40%
1998		26,789	\$ 1,387,902,729	\$51,809	37.6	3,517	1.40%
1999		26,663	\$ 1,409,566,158	\$52,866	37.6	3,564	1.30%
2000	(1)	26,613	\$ 1,435,061,315	\$53,923	37.6	3,685	0.80%
2001		26,632	\$ 1,464,807,575	\$55,002	37.6	3,773	2.40%
2002		26,658	\$ 1,495,562,374	\$56,102	37.6	3,865	3.00%
2003		26,628	\$ 1,523,756,906	\$57,224	37.6	4,016	2.80%
2004		26,578	\$ 1,551,313,627	\$58,368	37.6	4,171	3.40%
2005		26,515	\$ 1,578,589,151	\$59,536	37.6	4,312	3.00%
2006		26,978	\$ 1,638,277,264	\$60,726	37.6	4,410	2.80%

Source: U. S. Census, Division of Local Services
Median age is based on most recent census data
(1) Most recent U.S. Census

Town of Wellesley, Massachusetts
Principal Employers (excluding the Town)
Current Year and Nine Years Ago

Employer	Nature of Business	2006			1996 (1)		
		Employees	Rank	Percentage of Total Town Employment	Employees	Rank	Percentage of Total Town Employment
Sun Life of Canada	Insurance Company	1900	1	15.38%	1100	2	8.28%
Wellesley College	College	1500	2	12.15%	1250	1	9.41%
Babson College	College	750	3	6.07%	623	3	4.69%
Accenture	Management Consulting	700	4	5.67%	-	-	-
Harvard Pilgrim Health Care	HMO	490	5	3.97%	375	4	2.82%
Roche Brothers	Grocery	254	6	2.06%	-	-	-
Mass Bay Community College	College	250	7	2.02%	201	9	1.51%
Dana Hall School	Private School	236	8	1.91%	150	10	1.13%
Watson Wyatt Worldwide	Actuary	200	9	1.62%	230	7	1.73%
Amica Mutual Life	Insurance Company	165	10	1.34%	229	8	1.72%
Eastman Kodak	Photography Equipment	-	-	-	275	5	2.07%
Filene's Basement	Department Store Headquarters	-	-	-	275	6	2.07%

According to the Massachusetts Workforce Development Data, in October 2006 the town had a total labor force of 12,859, of whom 12,495 were employed and 364 or 2.8% were unemployed.

Source: Massachusetts Workplace Development Agency

(1) This comparative information for 1997 is unavailable

Town of Wellesley, Massachusetts
Full-time Equivalent Town Employees by Function
Last Ten Fiscal Years

	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Function										
General government.....	51	53	49	48	57	58	47	47	47	46
Public safety.....	114	115	115	112	114	114	110	109	110	112
Public education.....	583	573	563	565	591	607	624	629	659	665
Public works.....	79	86	84	83	77	85	81	81	83	83
Health and Sanitation.....	5	5	5	5	4	4	4	4	4	4
Library.....	23	24	29	28	32	31	31	31	27	27
Recreation.....	5	5	5	5	5	5	6	6	6	7
Water/Sewer.....	25	25	25	25	25	25	25	26	28	25
Electric light.....	38	37	32	34	34	36	34	34	33	37
Total	<u>923</u>	<u>923</u>	<u>907</u>	<u>905</u>	<u>939</u>	<u>965</u>	<u>962</u>	<u>967</u>	<u>997</u>	<u>1,006</u>

Source: Various Town Departments

Town of Wellesley, Massachusetts
Operating Indicators by Function/Program
Last Ten Fiscal Years

Function/Program	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
General Government										
New home building permits.....	25	22	25	21	53	36	43	50	83	59
Police										
Physical arrests.....	294	323	425	267	234	281	343	430	375	403
Motor vehicle violations.....	3,958	5,199	8,362	8,803	7,257	8,369	7,726	10,046	8,183	8,136
Police personnel and officers.....	56	55	55	52	56	54	57	57	57	58
Fire										
Inspections.....	n/a	2,518	2,408	2,408	2,486	2,487	2,487	2,529	2,565	2,628
Emergency responses.....	3,662	3,562	3,951	3,951	4,332	3,821	4,322	4,380	4,019	4,208
Fire personnel and officers.....	58	60	60	59	59	59	55	55	55	54
Education										
Number of public school students.....	3,565	3,517	3,564	3,685	3,773	3,865	4,016	4,171	4,312	4,410
Health and sanitation										
Number of vaccinations.....	2,467	2,736	2,775	2,904	2,975	1,881	1,705	1,550	1,640	1,790
Library										
Volumes in circulation.....	469,450	450,913	453,673	449,765	451,765	207,255	323,997	525,246	557,402	560,258
Recreation										
Total program revenue.....	\$443,206	\$440,574	\$469,366	\$497,496	\$431,090	\$373,669	\$421,108	\$654,170	\$843,347	\$779,317
Traffic and parking management										
Total ticket revenue.....	\$273,879	\$279,565	\$261,890	\$272,975	\$302,320	\$334,548	\$375,899	\$291,106	\$344,554	\$440,348
Sewer										
Number of accounts.....	7,731	7,758	7,879	n/a	7,716	7,970	7,994	8,003	8,053	8,133
Feet rodded/flushed.....	234,772	289,633	289,542	n/a	230,830	198,388	187,670	234,670	295,470	307,069
Water										
Number of accounts.....	9,707	9,963	10,421	n/a	10,525	10,955	11,094	11,204	11,368	11,663
Consumption in gallons (millions).....	889	1,001	966	1,029	1,057	964	877	815	811	924
Daily consumption (millions).....	2.44	2.74	2.65	2.82	2.89	2.64	2.40	2.23	2.22	2.53

Source: Various Town Departments

N/A: This information is not available

Town of Wellesley, Massachusetts
Capital Asset Statistics by Function/Program
Last Ten Fiscal Years

<u>Function/Program</u>	<u>Fiscal Year</u>									
	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
General Government										
Number of Buildings.....	4	4	4	4	4	4	4	3	3	3
Police										
Number of Stations.....	1	1	1	1	1	1	1	1	1	1
Fire										
Number of Stations.....	2	2	2	2	2	2	2	2	2	2
Education										
Number of elementary schools.....	6	6	6	6	6	6	6	7	7	7
Number of middle schools.....	1	1	1	1	1	1	1	1	1	1
Public Works										
Streets to maintain (miles).....	110	110	110	110	110	110	110	110	110	110
Sidewalks to maintain (miles).....	110	110	110	110	116	118	118	118	118	118
Library										
Buildings.....	3	3	3	3	3	3	3	3	3	3
Recreation										
Park and playground (acreage).....	268	268	268	268	268	268	268	268	365	365
Feet of public beach front.....	660	660	660	660	660	660	660	660	660	660
Public beaches.....	1	1	1	1	1	1	1	1	1	1
Tennis courts.....	66	66	66	66	66	66	66	66	66	66

Source: Various Town Departments